TOACHI MINING INC.

Consolidated Financial Statements

For the years ended

July 31, 2017 and 2016

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying annual consolidated financial statements of Taochi Mining Inc. (“Toachi” or the "Company") have been prepared by management in accordance with International Financial Reporting Standards and contain estimates based on management’s judgement. Management maintains an appropriate system of internal controls to provide assurance that transactions are authorized, assets safeguarded and proper records maintained.

The Audit Committee of the Board of Directors has reviewed with the Company’s independent auditors the scope and results of the annual audit and the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The Company’s independent auditors, Collins Barrow Toronto LLP are appointed by the shareholders to conduct an audit in accordance with Canadian generally accepted auditing standards and their report follows.

MANAGEMENT’S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING (“ICFR”) AND DISCLOSURE CONTROLS AND PROCEDURES (“DCP”)

Management is also responsible for establishing and maintaining adequate internal control over the Company’s financial reporting. The internal control system was designed to provide reasonable assurance to the Company’s management regarding the preparation and presentation of the financial statements.

As the Company is a Venture Issuer (as defined under under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) (“NI 52-109”), the Company and management are not required to include representations relating to the establishment and/or maintenance of DCP and/or ICFR, as defined in NI 52-109.

“Jonathan Goodman”	*“Stephen Gledhill”*
………………………………………	………………………………………
Jonathan Goodman	Stephen Gledhill
Chief Executive Officer	Chief Financial Officer
Toronto, Ontario	Toronto, Ontario
November 22, 2017	November 22, 2017

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Toachi Mining Inc.

We have audited the accompanying consolidated financial statements of Toachi Mining Inc. and its subsidiary, which comprise the consolidated statements of financial position as at July 31, 2017 and July 31, 2016 and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flow for the years ended July 31, 2017 and July 31, 2016 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Toachi Mining Inc. and its subsidiary as at July 31, 2017 and July 31, 2016, and its financial performance and its cash flows for the years ended July 31, 2017 and July 31, 2016 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates the existence of material uncertainties that may cast significant doubt about the company's ability to continue as a going concern.

Collins Barrow Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants
November 22, 2017
Toronto, Ontario

TOACHI MINING INC.
Consolidated Statements of Financial Position
(Canadian dollars)

As at	July 31, 2017	July 31, 2016
	$	$
Assets		
Current assets		
Cash and cash equivalents *(note 5(c))*	**4,859,334**	3,088,620
Amounts receivable and prepaids *(note 8)*	**42,068**	62,980
Total current assets	**4,901,402**	3,151,600
Non-current assets		
Investment in CMLP *(note 7(a))*	**1**	-
Total non-current assets	**1**	-
Total assets	**4,901,403**	3,151,600
Liabilities		
Current liabilities		
Trade payables and accrued liabilities *(notes 7(e) and 9)*	**435,266**	447,302
Due to related parties *(note 10)*	**20,637**	4,512
Total current liabilities	**455,903**	451,814
Total liabilities	**455,903**	451,814
Shareholders' equity		
Share capital *(note 11)*	**17,857,103**	9,694,405
Reserve for share-based payments *(note 11)*	**796,372**	394,372
Reserve for warrants *(note 11)*	**1,144,534**	1,525,036
Accumulated deficit	**(15,352,509)**	(8,914,027)
Total shareholders' equity	**4,445,500**	2,699,786
Total liabilities and shareholders' equity	**4,901,403**	3,151,600

Going concern *(note 2)*
Subsequent events *(note 14)*

Approved for issuance on behalf of the Board of Directors on November 22, 2017:

"Laurence Curtis"

Laurence Curtis
Director

"Carolina Vargas"

Carolina Vargas
Director

TOACHI MINING INC.
Consolidated Statements of Loss and Comprehensive Loss
(Canadian dollars)

Year ended July 31,	**2017**	2016
	$	$
Operating expenses		
Consulting and professional fees	**139,553**	172,445
Exploration and evaluation expenditures *(note 7)*	**5,556,710**	496,147
Foreign exchange (gain) loss	**56,955**	(5,782)
General and administrative	**237,612**	73,047
Investor relations	**17,466**	-
Management fees *(note 10)*	**337,500**	81,000
Share-based payments *(note 11(c))*	**402,000**	353,139
Total operating expenses	**6,747,796**	1,169,996
Net loss and comprehensive loss	**(6,747,796)**	(1,169,996)
Basic and fully diluted net loss per share	**(0.14)**	(0.07)
Weighted average number of shares	**48,896,559**	17,108,571

TOACHI MINING INC.
Consolidated Statement of Changes in Equity
(Canadian dollars)

	Share Capital		Reserves			
	Number of Shares	Amount	Share-based payments	Warrants	Deficit	Total
		$	$	$	$	$
Balance at July 31, 2015	9,429,935	7,094,437	165,642	432,981	(7,992,107)	(299,047)
Issued for cash *(note 11)*	28,920,000	4,371,000	-	-	-	4,371,000
Financing costs *(note 11)*	-	(558,804)	-	(363,166)	-	(921,970)
Fair value of warrants *(note 11)*	-	(1,212,228)	-	1,578,888	-	366,660
Expired options/warrants	-	-	(124,409)	(123,667)	248,076	-
Share-based compensation *(note 11)*	-	-	353,139	-	-	353,139
Loss and comprehensive loss	-	-	-	-	(1,169,996)	(1,169,996)
Balance at July 31, 2016	38,349,935	9,694,405	394,372	1,525,036	(8,914,027)	2,699,786
Issued for cash *(note 11)*	**19,312,500**	**7,725,000**	**-**	**-**	**-**	**7,725,000**
Fair value of broker warrants issued *(note 11)*	**-**	**(351,318)**	**-**	**351,318**	**-**	**-**
Issued upon exercise of warrants and broker warrants *(note 11)*	**3,304,000**	**923,300**	**-**	**-**	**-**	**923,300**
Fair value transfer of exercised warrants *(note 11)*	**-**	**411,925**	**-**	**(411,925)**	**-**	**-**
Financing costs *(note 11)*	**-**	**(546,209)**	**-**	**(10,581)**	**-**	**(556,790)**
Expired options and warrants	**-**	**-**	**-**	**(309,314)**	**309,314**	**-**
Share-based compensation *(note 11)*	**-**	**-**	**402,000**	**-**	**-**	**402,000**
Loss and comprehensive loss	**-**	**-**	**-**	**-**	**(6,747,796)**	**(6,747,796)**
Balance at July 31, 2017	**60,966,435**	**17,857,103**	**796,372**	**1,144,534**	**(15,352,509)**	**4,445,500**

TOACHI MINING INC.
Consolidated Statements of Cash Flow
(Canadian dollars)

Year ended July 31,	**2017**	2016
	$	$
Operations		
Net loss	**(6,747,796)**	(1,169,996)
Non-cash items:		
Gain on forgiveness of option payments *(note 7(c))*	**(389,006)**	-
Share-based payments *(note 11)*	**402,000**	353,139
Net change in non-cash working capital items:		
Amounts receivable and prepaid expenses	**20,912**	(58,045)
Trade payables and accrued liabilities	**376,970**	139,497
Cash used for operations	**(6,336,920)**	(735,405)
Financing activities		
Issuance of common shares (net of issuance costs) *(note 11)*	**8,091,510**	3,815,690
Advances of related-party loans	**614,044**	69,884
Repayment of related-party loans	**(597,919)**	(65,372)
Cash provided from financing activities	**8,107,635**	3,820,202
Investing activities		
Investment in CMLP *(note 7(a))*	**(1)**	-
Cash used for investing activities	**(1)**	-
Increase in cash and cash equivalents	**1,770,714**	3,084,797
Cash and cash equivalents at beginning of year	**3,088,620**	3,823
Cash and cash equivalents at end of year	**4,859,334**	3,088,620

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. STATEMENT OF COMPLIANCE

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations Committee.

The Consolidated Financial Statements were approved by the Company's Board of Directors on November 22, 2017.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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, as explained in the accounting policies. 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".

(b) 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.

(c) Exploration and evaluation expenditures

All acquisition and exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into Property, Plant and Equipment. On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

(d) Share-based payments

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be reliably measured, the transactions are measured at fair value of the share-based payment.

The costs of equity-settled transactions with employees are measured by reference to the fair value of the equity using the Black-Scholes option pricing model, at the date on which they are granted. The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date and reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share-based payment reserve.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The fair value of options and/or warrants that are unexercised upon expiry is removed from the appropriate reserve account and transferred to retained earnings/accumulated deficit.

The dilutive effect of outstanding options, warrants and conversion features is reflected as additional dilution in the computation of earnings per share.

In situations where the Company issued units, the value of warrants is included as a separate reserve of the Company's equity.

(e) Taxation

Income tax expense represents the sum of taxes currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income tax

Deferred income tax is provided on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or 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; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred income tax asset relating to the deductible temporary difference arises 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; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

(f) Loss per share

The Company presents basic and fully-diluted loss per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of common shares outstanding during the year. Fully-diluted EPS is determined by dividing the profit or loss attributable to owners of the Company by the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which comprise share options granted to employees, directors and consultants, issued warrants and conversion features, if applicable. During the years ended July 31, 2017 and 2016, all outstanding stock options, warrants and conversion features were antidilutive and therefore basic and fully-diluted EPS are the same.

(g) Financial assets

All financial assets 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 at fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company’s cash and cash equivalents is classified as FVTPL.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. The Company’s amounts receivable excluding HST are classified as loans-and-receivables. As at July 31, 2017 and 2016, the Company’s amounts receivable balance consists entirely of HST recoverable.

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. The Company's Investment in CMLP is classified as available-for-sale.

Transactions 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.

(h) 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 trade payables and accrued liabilities and due to related parties are classified as other-financial-liabilities.

(i) Impairment of financial assets

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the 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 profit or loss.

(j) Cash and cash equivalents

Cash and cash equivalents on the statements of financial position comprise cash held at banks under general deposit and guaranteed investment certificates yielding various interest rates with maturities within 3 months of issuance.

(k) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. There were no provisions as at July 31, 2017 and 2016.

(l) Foreign currency transactions

Functional and presentation currency

Items included in the financial statements of the Company and its subsidiary are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company and its subsidiary is the Canadian Dollar. The Consolidated Financial Statements are presented in Canadian dollars.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Consolidated Statements of Loss and Comprehensive Loss.

(m) Significant accounting judgements and estimates

The preparation of the Consolidated Financial Statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates, when applicable, relate to valuation of deferred income tax amounts and the calculation of share-based payments and warrants. The most significant judgements, relate to functional currency, recognition of deferred tax assets and liabilities and the capitalization of exploration expenditures once a property has achieved economically recoverable reserves. The Company also applies judgement in assessing its ability to continue as a going concern for at least 1 year. it has been determined that a property has economically recoverable reserves.

(n) Adoption of new and revised standards and interpretations

IFRS 9 *Financial Instruments*

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

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 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.

- 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 July 31, 2017 and 2016, the Company has no accounts receivable and therefore, no credit risk.

Cash and cash equivalents is held with major Canadian bank 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 (see *note 2*) by raising funds through asset sales or completing debt or equity financings. Management monitors its working capital and seeks financing as necessary. As at July 31, 2017, the Company had a cash and cash equivalents balance of $4,859,334 (2016 – $3,088,620) and working capital of $4,445,499 (2016 – $2,699,786). The Company's trade payables and accrued liabilities balance of $435,266 (2016 – $447,302), include $435,266 (2016 – $79,789) of trade payables, which are subject to normal trade terms and $nil (2016 – $367,513), which are due pursuant to the option agreements on the Cerro Rojo Project (see note 7).

(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 equity. 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 $1,659,334 (2016 - $3,088,620) and guaranteed investment certificates ("GIC's") totalling $3,200,000 (July 31, 2016 - $nil). GIC's mature between 30 and 60 days, so that the Company may properly utilize its working capital for project expenditures. As at July 31, 2017, the GIC balance of $3,200,000 consists of 2 GIC's of $2,200,000 and $1,000,000 accruing interest at 0.75% and 0.60% per annum, respectively.

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 year as a portion of these amounts are denominated in US dollars and Bolivianos. The Company has not entered into any foreign currency contracts to mitigate this risk.

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

	July 31, 2017	July 31, 2016
	$Cdn	$Cdn
US dollar cash	**269,579**	392,336
US accounts payable	**(368,310)**	-
Boliviano trade and other payables	**-**	(3,559)
Option payments (note 7)	**-**	(367,513)
Net exposure	**(98,731)**	21,264

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 $9,900 (2016 – $2,100) to the Company.

6. CAPITAL MANAGEMENT

The Company considers its capital to be its shareholders' equity, which is comprised of share capital, reserve for share-based payments, reserve for warrants and accumulated deficit, which as at July 31, 2017, totalled $4,445,500 (2016 – $2,699,786). 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. 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 is 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 year ended July 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 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 14(iii));
   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 July 31, 2017, total expenditures pursuant to the option agreement total approximately $6.4 million.

(b) Cerro Rojo Project

As at July 31, 2017, the Company has completed its negotiations to return its 51%-owned portion of the Cerro Rojo project together with its wholly-owned subsidiary, Empresa Minera Yacuses S.A. ("Yacuses"), to the optionors in exchange for outstanding option payments (see 7(c), below).

The Cerro Rojo project consisted of 4 mining concessions and 53 claims (or squares) with each square having an area of 500 metres by 500 metres, or 25 hectares. The concessions consist of Damasias Fatima (14 squares), Cerro Chico (3 squares), Cerro Lejos (15 squares) and part of Fatima ("Fatima 21") (21 squares), all totalling 1,325 hectares.

(c) Gain on forgiveness of option payments

The Company has agreed to the sale of Yacuses (see note 7 (b)) to its JV Partner for an amount equal to the outstanding option payments of $389,006, owed by the Company to its JV Partner. The gain has been recorded in the consolidated statements of loss and comprehensive loss as a reduction to exploration expenditures.

(d) 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.

(e) 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.

(Canadian dollars)

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

	Year ended July 31, 2017	Year ended July 31, 2016	Cumulative to date
	$	$	$
La Plata project			
Acquisition costs	**269,098**	326,256	595,354
Administrative	**715,833**	1,320	717,153
Assays	**72,055**	35,542	107,597
Camp costs	**432,843**	-	432,843
Community costs	**58,547**	-	58,547
Consulting	**104,704**	-	104,704
Drilling	**3,011,781**	-	3,011,781
Engineering	**26,463**	-	26,463
Environmental	**155,500**	-	155,500
General	**29,582**	-	29,582
Geologists	**742,236**	-	742,236
Legal and governmental	**272,861**	25,649	298,510
Travel	**54,213**	28,545	82,758
	5,945,716	417,312	6,363,028
Cerro Rojo project			
Acquisition costs	**-**	78,835	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)**	-	(389,006)
	(389,006)	78,835	5,437,039
Total	**5,556,710**	496,147	11,800,077

(Canadian dollars)

8. AMOUNTS RECEIVABLE AND PREPAID EXPENSES

The Company's amounts receivable consist of harmonized services tax ("HST") recoverable from the Canadian government taxation authorities.

Below is an analysis of the Company's amounts receivable (including HST recoverable):

As at	**July 31, 2017**	July 31, 2016
	$	$
HST recoverable	**36,510**	57,422
Prepaid insurance	**5,558**	5,558
Total amounts receivable and prepaid expenses	**42,068**	62,980

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 and amounts payable for operating and financing activities. The usual credit period taken for trade purchases is between 30 to 90 days.

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

As at	**July 31, 2017**	July 31, 2016
	$	$
General and administrative	**20,006**	33,610
Consulting and professional fees	**48,117**	46,179
La Plata trade payables (note 7 (a)(D))	**367,143**	-
Joint venture payments (note 7 (e))	**-**	367,513
Total trade payables and accrued liabilities	**435,266**	447,302

10. RELATED-PARTY TRANSACTIONS

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

	Year ended	
	July 31, 2017	July 31, 2016
	$	$
Management fees charged by an entity controlled by the Company's CEO and CFO	**337,500**	81,000
Directors' fees	**49,167**	6,000

(Canadian dollars)

Share-based compensation for the Company's Directors, CEO and CFO	**285,000**	334,639
Geologist fees	**36,000**	-
Total for the year	**707,667**	421,639

In March 2016, the Company and RGMI amended the Management Agreement to reflect the payment of management fees of $3,000 per month for each of March and April 2016 and thereafter at a rate of $25,000 per month.

During the comparative year, the Company's CEO provided loans to the Company in the amount of $69,884 of which $65,372 was been repaid in fiscal 2016 and the remainder repaid in fiscal 2017.

The Company's CEO and CFO beneficially own RGMI.

As at July 31, 2017, $20,637 (2016 - $4,512) was due to a director of the Company as reimbursement for travel expenses. Amounts due to related parties are interest-free and have no fixed term of repayment.

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".

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-Sholes 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%; 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.

(Canadian dollars)

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 agents 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.

(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 July 31, 2017, the Company had 3,684,644 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, 2015	765,500	0.482
Granted	950,000	0.380
Forfeit	(273,500)	(0.700)
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**
Exercisable at July 31, 2017	**2,412,000**	**0.381**

(Canadian dollars)

The following table provides further information on the outstanding options as at July 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	1.44	24,000
27-Oct-19	252,000[4]	**252,000** [1]	0.250	2.24	18,872
28-June-21	950,000	**950,000** [3]	0.380	3.91	351,500[6]
9-Sept-21	800,000	**800,000** [4]	0.400	4.11	312,000[7]
17-May-22	250,000	**250,000** [5]	0.380	4.80	90,000[8]
	2,412,000	**2,412,000**	0.381	3.73	796,372

[1]The grant-date fair value of the options issued was $0.09 each.
[2]The grant-date fair value of the options issued was $1.20 each.
[3]The grant-date fair value of the options issued was $0.37 each.
[4]The grant-date fair value of the options issued was $0.39 each.
[5]The grant-date fair value of the options issued was $0.36 each.
[6]The 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.
[7]The 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 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.
[8]The 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.

(d) Warrants

The outstanding issued warrants balance at July 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		-	-	(261,376)
		8,955,310	**0.31**	**1,170,952**

[1] Balance reflects the exercise of 679,000 broker options during the period with a fair value of $183,330 less financing costs allocated to the exercised warrants of $26,418.

(Canadian dollars)

[2]The 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.

[3]The 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 July 31, 2017, the Company's operations comprise a single reporting operating segment engaged in mineral exploration in Bolivia (inactive) and Ecuador (active). 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.

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	**July 31, 2017**	July 31, 2016
	$	$
Non-current assets		
Canada	**-**	-

Year ended	**July 31, 2017**	July 31, 2016
	$	$
Loss and comprehensive net loss		
Canada	**(1,143,605)**	(583,920)
Bolivia	**94,474**	(93,471)
Ecuador	**(5,698,665)**	(492,605)
Consolidated net loss	**(6,747,796)**	(1,169,996)

13. DEFERRED INCOME TAXES

The following table reconciles income taxes calculated at combined Canadian federal/provincial rates with the income tax expense in the Financial Statements:

(Canadian dollars)

	2017	2016
	$	$
Loss for the year	**(6,747,796)**	(1,169,996)
Canadian statutory tax rate	**26.5%**	26.5%
Income tax recovery computed at the statutory rate	**(1,788,166)**	(310,000)
Non-deductible expenses and other	**(33,738)**	131,915
Share issuance costs	**(240,649)**	(109,647)
Change in deferred tax assets not recognized	**1,632,235**	176,097
Non-capital loss and other prior year adjustments	**430,318**	111,635
	-	-

The components of deferred income tax assets are as follows:

	2017	2016
	$	$
Deferred income tax assets:		
Non-capital loss carry-forwards	**1,273,695**	870,937
Exploration and evaluation expenditures	**2,634,608**	1,622,951
Share issuance costs	**341,762**	123,942
Deferred income tax assets	**4,250,065**	2,617,830
Deferred income tax assets not recognized	**(4,250,065)**	(2,617,830)
Deferred income tax assets, net	**-**	**-**

The Company has accumulated non-capital losses for Canadian income tax purposes of approximately $4,806,789 (2016 - $3,293,689, expiring in 2036), expiring in 2037.

14. SUBSEQUENT EVENTS

(i) On August 9, 2017, the Company issued 1,300,000 options to participants of the stock option plan. The options vested immediately and have an expiration date of August 9, 2022.

(ii) On October 5, 2017, the Company issued 300,000 options to participants of the stock option plan. The options vested immediately and have an expiration date of October 5, 2022.

(iii) On November 11, 2017, the Company made the 2nd option payment of US$250,000 to the optioner of the La Plata project.