



**TOACHI MINING INC.  
CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS  
THREE AND NINE MONTHS ENDED  
APRIL 30, 2018  
(EXPRESSED IN CANADIAN DOLLARS)  
(UNAUDITED)**

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**Notice To Reader**

The accompanying unaudited condensed consolidated interim financial statements of Toachi Mining Inc. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed consolidated interim financial statements have not been reviewed by the Company's auditors.

## Toachi Mining Inc.

### Condensed Consolidated Interim Statements of Financial Position (Expressed in Canadian Dollars) Unaudited

	As at April 30, 2018	As at July 31, 2017
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 5(c))	\$ 2,924,633	\$ 4,859,334
Amounts receivable and prepaid expenses (note 8)	67,607	42,068
<b>Total current assets</b>	<b>2,992,240</b>	<b>4,901,402</b>
<b>Non-current assets</b>		
Equipment	5,281	-
Investment in CMLP (note 7)	1	1
<b>Total non-current assets</b>	<b>5,282</b>	<b>1</b>
<b>Total assets</b>	<b>\$ 2,997,522</b>	<b>\$ 4,901,403</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Trade payables and accrued liabilities (note 9)	\$ 357,165	\$ 435,266
Due to related parties (note 10)	65,733	20,637
<b>Total liabilities</b>	<b>422,898</b>	<b>455,903</b>
<b>Shareholders' equity</b>		
Share capital (note 11)	20,303,086	17,857,103
Reserve for share-based payments (note 11)	1,588,041	796,372
Reserve for warrants (note 11)	1,698,534	1,144,534
Accumulated deficit	(21,015,037)	(15,352,509)
<b>Total shareholders' equity</b>	<b>2,574,624</b>	<b>4,445,500</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 2,997,522</b>	<b>\$ 4,901,403</b>

The accompanying notes to the unaudited condensed consolidated interim financial statements are an integral part of these statements.

Going Concern (note 2)  
Subsequent Events (note 13)

## Toachi Mining Inc.

### Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

Unaudited

	Three Months Ended April 30, 2018	Three Months Ended April 30, 2017	Nine Months Ended April 30, 2018	Nine Months Ended April 30, 2017
<b>Operating expenses</b>				
Exploration and evaluation expenditures (note 7) \$	573,365	\$ 1,706,249	\$ 3,488,871	\$ 4,523,955
General and administrative	267,798	63,075	575,361	192,290
Management fees (note 10)	101,762	75,000	451,012	262,500
Consulting and professional fees	64,922	53,708	190,238	147,513
Share-based compensation (notes 10 and 11)	75,119	-	791,669	312,000
Depreciation	125	-	155	-
Investor relations	32,111	-	177,254	-
<b>Total operating expenses</b>	<b>1,115,202</b>	<b>1,898,032</b>	<b>5,674,560</b>	<b>5,438,258</b>
<b>Net loss before other items</b>	<b>(1,115,202)</b>	<b>(1,898,032)</b>	<b>(5,674,560)</b>	<b>(5,438,258)</b>
<b>Other items</b>				
Gain on extinguishment of debt (note 7)	-	-	-	367,513
Foreign exchange (loss) gain	(1,600)	46,127	12,032	72,840
<b>Total other items</b>	<b>(1,600)</b>	<b>46,127</b>	<b>12,032</b>	<b>440,353</b>
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (1,116,802)</b>	<b>\$ (1,851,905)</b>	<b>\$ (5,662,528)</b>	<b>\$ (4,997,905)</b>
<b>Net loss and comprehensive loss per share - basic and diluted</b>	<b>\$ (0.02)</b>	<b>\$ (0.04)</b>	<b>\$ (0.09)</b>	<b>\$ (0.11)</b>
<b>Weighted average number of shares outstanding - basic and diluted</b>	<b>64,968,682</b>	<b>51,653,937</b>	<b>62,271,197</b>	<b>46,364,794</b>

The accompanying notes to the unaudited condensed consolidated interim financial statements are an integral part of these statements.

## Toachi Mining Inc.

### Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian Dollars)

Unaudited

	Nine Months Ended April 30, 2018	Nine Months Ended April 30, 2017
<b>Operating activities</b>		
Net loss and comprehensive for the period	\$ (5,662,528)	\$ (4,997,905)
Adjustments for:		
Gain on extinguishment of debt (note 7)	-	(367,513)
Share-based compensation (note 11)	791,669	312,000
Depreciation	155	-
Shares issued as severance pay (note 11)	46,000	-
Changes in non-cash working capital items:		
Amounts receivable and prepaid expenses	(25,539)	54,407
Trade payables and accrued liabilities	(78,101)	351,566
<b>Net cash used in operating activities</b>	<b>(4,928,344)</b>	<b>(4,647,445)</b>
<b>Investing activities</b>		
Investment in CMLP	-	(1)
Equipment purchased	(5,436)	-
<b>Net cash used in investing activities</b>	<b>(5,436)</b>	<b>(1)</b>
<b>Financing activities</b>		
Issuance of common shares (net of issuance costs)	2,953,983	4,634,844
Advanced from (repayments to) related parties (note 10)	45,096	(4,512)
<b>Net cash provided by financing activities</b>	<b>2,999,079</b>	<b>4,630,332</b>
<b>Net change in cash and cash equivalents</b>	<b>(1,934,701)</b>	<b>(17,114)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>4,859,334</b>	<b>3,088,620</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 2,924,633</b>	<b>\$ 3,071,506</b>

The accompanying notes to the unaudited condensed consolidated interim financial statements are an integral part of these statements.

## Toachi Mining Inc.

### Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

Unaudited

	Share capital		Reserves			
	Number of shares	Amount	Share-based payments	Warrants	Deficit	Total
<b>Balance, July 31, 2016</b>	<b>38,349,935</b>	<b>\$ 9,694,405</b>	<b>\$ 394,372</b>	<b>\$ 1,525,036</b>	<b>\$ (8,914,027)</b>	<b>\$ 2,699,786</b>
Issued for cash	10,000,000	4,000,000	-	-	-	4,000,000
Fair value of underwriter warrants	-	(183,693)	-	183,693	-	-
Issued on exercise of warrants	2,625,000	787,500	-	-	-	787,500
Issued on exercise of broker warrants	679,000	135,800	-	-	-	135,800
Fair value transfer of exercised warrants	-	313,317	-	(313,317)	-	-
Fair value transfer of exercised broker warrants	-	25,988	-	(25,988)	-	-
Fair value of warrant costs for exercised broker warrants	-	(26,418)	-	26,418	-	-
Financing costs	-	(288,456)	-	-	-	(288,456)
Expired warrants	-	-	-	(309,314)	309,314	-
Expired options	-	-	(8,000)	-	8,000	-
Share-based compensation	-	-	312,000	-	-	312,000
Net income and comprehensive loss for the period	-	-	-	-	(4,997,905)	(4,997,905)
<b>Balance, April 30, 2017</b>	<b>51,653,935</b>	<b>\$ 14,458,443</b>	<b>\$ 698,372</b>	<b>\$ 1,086,528</b>	<b>\$ (13,594,618)</b>	<b>\$ 2,648,725</b>
<b>Balance, July 31, 2017</b>	<b>60,966,435</b>	<b>\$ 17,857,103</b>	<b>\$ 796,372</b>	<b>\$ 1,144,534</b>	<b>\$ (15,352,509)</b>	<b>\$ 4,445,500</b>
Issued for cash	20,000,000	3,000,000	-	-	-	3,000,000
Issued as compensation	200,000	46,000	-	-	-	46,000
Financing costs	-	(46,017)	-	-	-	(46,017)
Fair value of warrants	-	(554,000)	-	554,000	-	-
Share-based compensation	-	-	791,669	-	-	791,669
Net loss and comprehensive loss for the period	-	-	-	-	(5,662,528)	(5,662,528)
<b>Balance, April 30, 2018</b>	<b>81,166,435</b>	<b>\$ 20,303,086</b>	<b>\$ 1,588,041</b>	<b>\$ 1,698,534</b>	<b>\$ (21,015,037)</b>	<b>\$ 2,574,624</b>

The accompanying notes to the unaudited condensed consolidated interim financial statements are an integral part of these statements.

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# Toachi Mining Inc.

## Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended April 30, 2018

(Expressed in Canadian Dollars)

Unaudited

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### 1. Nature of Operations

Toachi Mining Inc. (the "Company" or "Toachi") 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". On February 20, 2018, the Company's common shares began trading on the OTCQB Venture Market ("OTCQB") in the United States under the symbol "TIMGF".

The Company's main and registered office is located at 120 Adelaide Street West, Suite 2400, Toronto, Ontario, M5H 1T1. 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 unaudited condensed consolidated interim 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 unaudited condensed consolidated interim 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 unaudited condensed consolidated interim 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. On April 13, 2018, the Company completed a private placement of \$3,000,000.

### 3. Basis of Preparation

#### 3.1 Statement of Compliance

The unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements were approved for issuance by the Board of Directors ("Board") on June 18, 2018.

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# Toachi Mining Inc.

## Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended April 30, 2018

(Expressed in Canadian Dollars)

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### 3. Basis of Preparation (Continued)

#### 3.2 Basis of Measurement

The unaudited condensed consolidated interim financial statements have been prepared on the historic cost basis except for certain financial instruments, that are measured at fair value. Under International Financial Reporting Standards ("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 unaudited condensed consolidated interim 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.

#### 3.4 New Accounting Policy Adopted

##### Equipment

Upon initial acquisition, equipment are valued at cost, being the purchase price and the directly attributable costs of acquisition required to bring the assets to the location and in the condition necessary for these assets to be capable of operating in the manner intended by management.

In subsequent periods, equipment are stated at cost less accumulated depreciation and any impairment in value.

Each component or part of equipment with a cost that is significant in relation to the total cost of the item will be depreciated separately, unless there is no difference in depreciation on the respective components.

Depreciation is recorded on a declining-balance basis over the estimated useful life of the asset.

### 4. New and Revised Standards and Interpretations

Issued by the International Accounting Standards Board ("IASB") in July 2014; effective for the Company's annual period beginning July 1, 2018.

#### IFRS 9 - Financial Instruments ("IFRS 9")

IFRS 9 will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39") and IFRIC 9 - Reassessment of Embedded Derivatives. The main features introduced by this new standard compared with predecessor IFRS are as follows:

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# Toachi Mining Inc.

## Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended April 30, 2018

(Expressed in Canadian Dollars)

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### 4. New and Revised Standards and Interpretations (Continued)

#### IFRS 9 (Continued)

- **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 unaudited condensed consolidated interim financial statements.

### 5. Financial Instruments

#### Fair value

The Company has classified its cash and cash equivalents as fair value through profit or loss, 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 April 30, 2018, the Company has no significant credit risk.

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

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# Toachi Mining Inc.

## Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended April 30, 2018

(Expressed in Canadian Dollars)

Unaudited

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### 5. Financial Instruments (Continued)

#### Fair value (continued)

##### (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 April 30, 2018, the Company had a cash and cash equivalents balance of \$2,924,633 (July 31, 2017 - \$4,859,334) and working capital of \$2,569,342 (July 31, 2017 - \$4,445,499). The Company's trade payables and accrued liabilities balances totaling \$357,165 (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 \$2,924,633 (July 31, 2017 - \$1,659,334) and guaranteed investment certificates ("GIC's") totaling \$nil (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.

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. The Company has not entered into any foreign currency contracts or hedges to mitigate this risk.

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## Toachi Mining Inc.

### Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended April 30, 2018

(Expressed in Canadian Dollars)

Unaudited

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#### 5. Financial Instruments (Continued)

##### Fair value (continued)

##### (c) Market Risk (Continued)

##### (ii) Foreign currency risk (continued)

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

	As at April 30, 2018	As at July 31, 2017
US dollar cash	\$ 101,110	\$ 269,579
US dollar accounts receivable	17,944	-
US dollar accounts payable	(56,365)	(368,310)
Net exposure	\$ 62,689	\$ (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 would result in a greater or lessening, as applicable, loss for the year of approximately \$6,300 (July 31, 2017 - \$9,900) 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 April 30, 2018, totaled \$2,574,624 (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. 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 nine months ended April 30, 2018. The Company is not subject to externally imposed capital restrictions.

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## Toachi Mining Inc.

### Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended April 30, 2018

(Expressed in Canadian Dollars)

Unaudited

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#### 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 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 Compania Minera La Plata, S.A. ("CMLP"). CMLP holds a 100% 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 CMLP, a related company to Sultana, to secure the Option (the "Option Agreement"). The Company has taken a de minimus equity stake in CMLP totaling \$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 totaling 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);
  - 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 April 30, 2018, total expenditures pursuant to the Option Agreement total approximately \$9.9 million.

## Toachi Mining Inc.

### Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended April 30, 2018

(Expressed in Canadian Dollars)

Unaudited

#### 7. Resource Property Interests (Continued)

##### (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:

	Three Months Ended April 30, 2018	Three Months Ended April 30, 2017	Nine Months Ended April 30, 2018	Nine Months Ended April 30, 2017	Cumulative to date
<b>La Plata Project</b>					
Acquisition cost	\$ -	\$ -	\$ 320,513	\$ 269,099	\$ 915,867
Administrative	121,917	53,444	387,661	186,246	1,104,814
Assays	-	20,691	6,218	21,171	113,815
Camp costs	71,894	243,678	301,328	714,898	734,171
Community costs	48,811	6,347	296,898	17,972	355,445
Consulting	55,506	40,281	150,497	50,552	255,201
Drilling	54,342	1,012,144	1,176,114	2,448,692	4,187,895
Engineering	-	8,004	9,328	21,046	35,791
Environmental	37,860	43,839	88,404	114,590	243,904
General	9,079	10,330	49,799	36,769	79,381
Geology and geophysics	47,416	206,345	541,501	506,865	1,283,737
Legal and governmental	122,652	61,146	152,261	97,300	450,771
Travel	3,888	-	8,349	38,755	91,107
	<b>\$ 573,365</b>	<b>\$ 1,706,249</b>	<b>\$ 3,488,871</b>	<b>\$ 4,523,955</b>	<b>\$ 9,851,899</b>

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## Toachi Mining Inc.

### Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended April 30, 2018

(Expressed in Canadian Dollars)

Unaudited

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#### 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 April 30, 2018	As at July 31, 2017
Accounts receivable	\$ 17,944	\$ -
Sales taxes recoverable	18,670	36,510
Prepaid expenses	30,993	5,558
Total amounts receivable and prepaid expenses	\$ 67,607	\$ 42,068

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 April 30, 2018 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 payables and accrued liabilities:

	As at April 30, 2018	As at July 31, 2017
General and administrative	\$ 166,404	\$ 20,006
Consulting and professional fees	165,228	48,117
La Plata trade payables (note 7(a)(D))	25,533	367,143
Total trade payables and accrued liabilities	\$ 357,165	\$ 435,266

# Toachi Mining Inc.

## Notes to Condensed Consolidated Interim Financial Statements

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### 10. Related Party Transactions and Balances

The unaudited condensed consolidated interim 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 April 30, 2018	Three Months Ended April 30, 2017	Nine Months Ended April 30, 2018	Nine Months Ended April 30, 2017
Management fees charged by an entity controlled by the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") (i)	\$ 124,023	\$ 75,000	\$ 327,273	\$ 262,500
Severance payment to past president and CEO	-	-	100,000	-
Directors' fees	12,000	12,000	39,000	34,500
Share-based compensation for the Company's directors, CEO and CFO	71,542	-	485,092	195,000
Office rent	10,000	-	36,998	-
Shares issued to past president and CEO (note 11(b)(ix))	-	-	46,000	-
Total for period	\$ 217,565	\$ 87,000	\$ 1,034,363	\$ 492,000

(i) As at April 30, 2018, the balance of \$42,375 (July 31, 2017 - \$nil) is due to entities controlled by the Company's CEO and CFO for management fees and the balance of \$23,358 (July 31, 2017 - \$20,637) is due to directors of the Company for their directors' fees and reimbursable travel expenses. The associated expenses have been reflected in the table above while any balances due have been reflected in Trade Payables and Accrued Liabilities (note 9).

### 11. Share Capital

#### (a) Authorized share capital

Unlimited number of common shares without par value.

#### (b) Common shares 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.

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# Toachi Mining Inc.

## Notes to Condensed Consolidated Interim Financial Statements

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### 11. Share Capital (Continued)

(b) Common shares issued and outstanding (continued)

- (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 totaling \$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.

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# Toachi Mining Inc.

## Notes to Condensed Consolidated Interim Financial Statements

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### 11. Share Capital (Continued)

#### (b) Common shares issued and outstanding (continued)

- (vi) On November 22, 2016, the Company completed a non-brokered bought-deal private placement 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 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.
- (ix) On November 24, 2017, the Company approved the issuance of 200,000 common shares with a deemed value of \$0.23 per share, or \$46,000 to the past president and CEO of the Company. On February 6, 2018, the Company issued the approved 200,000 common shares. Refer to note 10.

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#### 11. Share Capital (Continued)

(b) Common shares issued and outstanding (continued)

(x) On April 13, 2018, the Company completed a strategic private placement and issued 20,000,000 units of the Company at a price of \$0.15 per unit for aggregate gross proceeds of \$3,000,000. Each unit is comprised of one common share in the capital of the Company and one-half common share purchase warrant, each whole warrant entitling the holder thereof to purchase one common share of the Company at an exercise price of \$0.17 per share for 24 months following the closing date. Insiders of the Company subscribed for an aggregate of 8,916,669 units as follows:

- Metaform Investings Mining LP, a company whose President and CEO is also the Chairman of the Board, subscribed for 3,333,334 units;
- Mr. Alain Bureau, President and CEO of the Company, subscribed for 1,333,334 units;
- Mr. Laurence Curtis, Director of the Company, subscribed for 500,000 units;
- Mr. Eberhard Scherkus, Director of the Company, subscribed for 3,333,334 units;
- Mr. Peter Nixon, Director of the Company, subscribed for 166,667 units; and
- Mr. Joseph Fazzini, CFO of the Company, subscribed for 250,000 units

The fair value of \$554,000 for the warrants was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free rate of 1.86%; expected volatility of 87.1%; expected life of 2 years; expected dividends of \$nil and common share price of \$0.135.

(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 April 30, 2018, the Company had 2,679,644 additional options available for issuance. A continuity of the unexercised options to purchase common shares is as follows:

	Number of Options	Weighted Average Exercise Price
<b>Balance at July 31, 2016</b>	<b>1,442,000</b>	<b>\$ 0.374</b>
Granted	1,050,000	0.395
Forfeit	(80,000)	(0.500)
<b>Balance at July 31, 2017</b>	<b>2,412,000</b>	<b>0.381</b>
Granted	3,025,000	0.325
<b>Balance at April 30, 2018</b>	<b>5,437,000</b>	<b>\$ 0.377</b>

# Toachi Mining Inc.

## Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended April 30, 2018

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### 11. Share Capital (Continued)

(c) Share-based payments (continued)

The following table provides further information on the outstanding options as at April 30, 2018:

Expiry Date	Number Exercisable	Number Outstanding	Weighted Average Exercise Price	Weighted Average Years Remaining	Fair Value
December 30, 2018	160,000 (iv)	<b>160,000</b> (ii)	\$ 0.500	0.67	\$ 24,000
October 27, 2019	252,000 (iv)	<b>252,000</b> (i)	0.250	1.49	18,872
June 28, 2021	950,000	<b>950,000</b> (iii)	0.380	3.16	351,500 (x)
September 9, 2021	800,000	<b>800,000</b> (iv)	0.400	3.36	312,000 (xi)
May 17, 2022	250,000	<b>250,000</b> (v)	0.380	4.05	90,000 (xii)
August 9, 2022	1,300,000	<b>1,300,000</b> (vi)	0.440	4.28	546,000 (xiii)
October 5, 2022	300,000	<b>300,000</b> (vii)	0.330	4.44	93,000 (xiv)
December 5, 2022	375,000	<b>375,000</b> (viii)	0.220	4.60	77,550 (xv)
January 31, 2023	350,000	<b>1,050,000</b> (ix)	0.220	4.76	166,005 (xvi)
	<b>4,737,000</b>	<b>5,437,000</b>	\$ 0.377	3.87	\$ 1,678,927

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

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

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

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

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

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

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

(viii) The grant-date fair value of the options issued was \$0.21 each.

(ix) The grant-date fair value of the options issued was \$0.16 each.

(x) 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.

(xi) 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.

(xii) 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.

(xiii) 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 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.

# Toachi Mining Inc.

## Notes to Condensed Consolidated Interim Financial Statements

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### 11. Share Capital (Continued)

(c) Share-based payments (continued)

- (xiv) 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 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.
- (xv) 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 1.70%; expected volatility based on historical volatility of the Company's shares, of 166.5%; expected life of 5 years; expected dividends of \$nil and weighted average common share price of \$0.22.
- (xvi) 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 2.13%; expected volatility based on historical volatility of the Company's shares, of 165.0%; expected life of 5 years; expected dividends of \$nil and weighted average common share price of \$0.17.

(d) Warrants

The outstanding issued warrants balance at April 30, 2018 is comprised of the following items:

Expiry Date	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 (i)
November 22, 2018	Underwriting options	592,560	0.40	183,693 (ii)
June 14, 2019	Agents' options	558,750	0.40	167,625 (iii)
April 13, 2020	Warrants	10,000,000	0.17	554,000 (iv)
	Cost of financing allocated to warrants	-	-	(287,794)
		<b>18,955,310</b>	<b>\$ 0.23</b>	<b>\$ 1,698,534</b>

- (i) Balance reflects the exercise of 679,000 broker options during the period with a fair value of \$183,330.
- (ii) 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.
- (iii) 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.
- (iv) The Black-Scholes option pricing model was used to determine the fair value of the warrants using the following variables: risk-free interest rate of 1.86%; expected volatility of 87.1%; expected life of 2 years; expected dividends of \$nil and weighted average common share price of \$0.135.

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## Toachi Mining Inc.

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## 12. Segmented Information

### Operating segments

At April 30, 2018, 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 unaudited condensed consolidated interim 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 April 30, 2018	As at July 31, 2017
<b>Non-current assets</b>		
Canada	\$ -	\$ -
Ecuador	5,281	-

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	Three Months Ended April 30, 2018	Three Months Ended April 30, 2017	Nine Months Ended April 30, 2018	Nine Months Ended April 30, 2017
<b>Loss and comprehensive net loss</b>				
Canada	\$ (495,700)	\$ (1,908)	\$ (2,048,124)	\$ (749,170)
Bolivia	-	(130,556)	-	(150,215)
Ecuador	(621,102)	(1,719,441)	(3,614,404)	(4,098,520)
<b>Total</b>	<b>\$ (1,116,802)</b>	<b>\$ (1,851,905)</b>	<b>\$ (5,662,528)</b>	<b>\$ (4,997,905)</b>

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## 13. Subsequent Events

(i) On May 9, 2018, the Company announced that the Board approved the grant of an aggregate of 400,000 stock options to certain newly-appointed, key staff employed in Ecuador. The options granted will be issued in accordance with the Company's current stock option plan. The options are exercisable into common shares of the Company at an exercise price of \$0.14 all vesting 1/3 on date of grant; 1/3 on the first anniversary after date of grant; and 1/3 on the second anniversary after date of grant. The options have a five-year term to maturity.

(ii) On June 15, 2018, 7,125,000 warrants with an exercise price of \$0.30 and 679,000 broker options with an exercise price of \$0.20 expired unexercised.