XTIERRA INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

As at, and for the nine-month period ended September 30, 2018

(Expressed in US Dollars)

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by CPA Canada for a review of interim financial statements by an entity's auditor.

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As at, and for the nine-month period ended September 30, 2018

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XTIERRA INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited - prepared by management

As at September 30, 2018

(Expressed in US Dollars)	Notes	September 30, 2018 $	December 31, 2017 $
ASSETS			
Current assets			
Cash		8,622	5,558
Amounts receivable and other		434	403
Total current assets		9,056	5,961
Non-current assets			
Mineral properties	6	1	1
Property, plant and equipment		9,221	14,707
Total non-current assets		9,222	14,708
Total assets		18,278	20,669
LIABILITIES			
Current			
Accounts payable and accruals	4/7	46,829	48,429
Notes payable	9	-	1,419,473
Current liabilities, before the undernoted		46,829	1,467,902
Other liability of subsidiary	8	2,000,000	1,844,000
Total current liabilities		2,046,829	3,311,902
Non-current liabilities			
Notes payable	9	766,477	-
Total non-current liabilities		766,477	-
Total liabilities		2,813,306	3,311,902
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Capital stock	10	35,446,827	34,711,765
Warrants	11	310,440	-
Share-based payment reserve	13	302,480	-
Deficit		(38,854,775)	(38,002,998)
(Deficiency)		(2,795,028)	(3,291,233)
Total liabilities and shareholders' equity (deficiency)		18,278	20,669

COMMITMENTS AND CONTINGENCIES (Notes 1, 8, 9 and 16)

The financial statements were approved by the Board of Directors on November 28, 2018 and signed on its behalf by:

Signed "John F. Kearney", Director Signed "Timothy Gallagher", Director

See accompanying notes to the consolidated financial statements.

XTIERRA INC.

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

Unaudited - prepared by management

For the three and nine month periods ended September 30,

(Expressed in US Dollars)	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	$	$	$	$
Expenses				
General and administrative expenses	1,698	22,526	23,409	23,417
Corporate expenses	1,013	758	15,067	8,474
Professional fees	4,004	447	12,022	3,164
Accretion on property obligation	-	60,000	156,000	180,000
Exploration and evaluation expenses	20,447	27,606	47,077	85,471
Loss from operations	27,162	111,337	253,575	300,526
Other items				
Foreign exchange gain	(2,561)	(1,647)	(21,785)	(7,704)
Share-based compensation	-	-	302,480	-
Warrants	-	-	310,440	-
Interest expense and fees on notes payable	-	17,262	7,067	49,671
	(2,561)	15,615	598,202	41,967
Net loss and comprehensive loss for the period	24,601	126,952	851,777	342,493
Net loss (income) per share – basic and diluted	0.000	0.001	0.007	0.003
Weighted average common shares outstanding – basic and diluted	127,840,193	116,370,336	127,840,193	116,370,336

See accompanying notes to the consolidated financial statements.

XTIERRA INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

Unaudited - prepared by management

(Expressed in US Dollars)	Stock Capital $	Warrants $	Share-based reserve $	Deficit $	Total $
Balance as at December 31, 2016	**34,711,765**	**-**	**-**	**(37,542,195)**	**(2,095,367)**
Net loss for the period	-	-	-	(342,493)	(342,493)
Balance as at September 30, 2017	34,711,765	-	-	(37,884,688)	(3,172,923)
Net loss for the year	-	-	-	(118,310)	(118,310)
Balance as at December 31, 2017	34,711,765	-	-	(38,002,998)	(3,291,233)
Shares issued in settlement of deb	735,062	-	-	-	735,062
Warrants	-	310,440	-	-	310,440
Share-based payments reserve	-	-	302,480	-	302,480
Net loss for the period	-	-	-	(851,777)	(851,777)
Balance as at September 30, 2018	35,446,827	310,440	302,480	(38,854,775)	(2,795,028)

See accompanying notes to the consolidated financial statements.

XTIERRA INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited - prepared by management

For the nine-month period ended September 30,

(Expressed in US Dollars)	2018	2017
	$	$
CASH FLOWS USED IN OPERATING ACTIVITIES:		
Net loss for the period	(851,777)	(342,493)
Depreciation and proceeds on disposal of equipment	5,486	2,671
Impairment of accretion on other liability	156,000	180,000
Share-based compensation	302,480	-
Warrants issued	310,440	-
Interest expense on notes payable	7,067	49,671
Operating cash flow before movements in working capital	(70,304)	(110,151)
Movements in working capital		
(Increase) in amounts receivable and other and prepaids	(32)	17,780
(Decrease/increase in accounts payable and accruals	(1,600)	(5,607)
Net cash used in operating activities	(71,936)	(97,978)
FINANCING ACTIVITIES:		
Notes payable	75,000	93,000
Net cash generated by financing activities	75,000	93,000
Change in cash	3,064	(4,978)
Cash, beginning of year	5,558	17,557
Cash, end of period	8,622	12,579

See accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS

Xtierra Inc. (the “Company” or "Xtierra") has interests in exploration and evaluation properties located in Mexico. Substantially all of the Company's efforts are devoted to exploring and developing these properties. There has been no determination whether the Company's interests in exploration and evaluation projects contain mineral reserves which are economically recoverable.

The Company’s head office is located at 55 University Ave, Suite 1805, Toronto, Ontario M5J 2H7.

Basis of measurement and going concern

These consolidated financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for the current fiscal year. Several conditions discussed below create a material uncertainty and significant doubt about the Company’s ability to continue as a going concern.

At September 30, 2018. the Company had not achieved profitable operations, had a working capital deficiency, had an accumulated deficit since inception and expects to incur further losses in the development of its business. The continuing operations of the Company in the short term are dependent upon continued support from its major shareholder and the ability to raise adequate working capital to continue as a going concern. Additional funding will be required for exploration and development and /or to pursue new potential acquisitions or other initiatives. There is a risk that additional financing will not be available to the Company on a timely basis or on acceptable terms. There are no assurances that the Company will continue to obtain additional financial resources and/or achieve positive cash flows or profitability.

The Company has not yet determined whether its exploration and evaluation projects contain economically recoverable mineral reserves. The underlying value and the recoverability of the exploration and evaluation projects is entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the exploration and evaluation projects, and the generation of future profitable production or proceeds from the disposition of the exploration and evaluation projects.

The Company is required to maintain a prescribed minimum of annual exploration expenditure and pay fees semi-annually to the Secretaria de Economia in Mexico to maintain the Company’s mineral concessions and titles in Mexico in good standing. Failure to make the annual concession payments or incur the minimum annual exploration expenditures, to the satisfaction of the Mexican authorities, or a determination that the expenditures incurred are not qualifying expenditures, may result in the cancellation or forfeiture of the mineral concessions. See Notes 6, 8 and 16.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write downs of the carrying values of the Company’s assets. All of the Company's mineral exploration assets are located outside of Canada and are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. The Company’s properties may be subject to government licensing requirements, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims and regulatory and environmental requirements.

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements of the Company and its subsidiaries were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). The accounting policies set out below were consistently applied to all periods presented, unless otherwise noted.

2. BASIS OF PREPARATION (CONTINUED)

These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017 prepared in accordance with IFRS

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit and loss which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except cash flow information. These condensed interim financial statements are expressed in United States Dollars ("US$").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The condensed interim consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of operations from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Company. All material intra-Company transactions, balances, income and expenses are eliminated on consolidation.

The standards and interpretations within IFRS are subject to change and accordingly, the accounting policies that are relevant to the Company will be finalized only when the annual IFRS financial statements are prepared for the year ending December 31, 2018. The accounting policies chosen by the Company have been applied consistently to all periods presented.

(b) Accounting Changes

The Company did not adopt any new International Financial Reporting Standards (IFRSs) or Interpretations in the period that had a material impact on the Company's Financial Statements.

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2017 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS Standards issued but not yet effective:

IFRS 2	Share-based payments
IFRS 9	Financial Instruments
IFRS 10	Consolidated financial statements
IFRS 16	Leases
IFRIC 22	Foreign currency translations and advance consideration
IFRIC 23	Uncertainty Over Income Tax Treatments ("IFRIC 23")

The Company has not yet determined the impact of these amendments on its financial statements.

4. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed.

No fees were paid by the Company to directors and key management personnel for their services as directors and officers of the Company in the periods ended September 30, 2018 or September 30, 2017.

Included in accounts payable and accruals at September 30, 2018 is $15,000 due to Steenberglaw Professional Corporation, a company controlled by Neil J.F. Steenberg, Director and Secretary, for legal fees. These balances are due on demand, unsecured and non-interest bearing.

(Expressed in US Dollars)

4. RELATED PARTY TRANSACTIONS (CONTINUED)

The subsidiaries of the Company at September 30, 2018 were as follows:

Name of Subsidiary	Country of Incorporation	Percentage owned	Principal activity
Orca Minerals Limited	Canada	100%	Holding company for Orca Gold International
Orca Gold International Ltd.	Bahamas	100%	Holding company for Mexican subsidiaries
Bilbao Resources SA de CV	Mexico	100%	Exploration
Bilbao Mining SA de CV	Mexico	100%	Exploration
Minera Orca SA de CV	Mexico	100%	Exploration
Orca Mining Exploration SA de CV	Mexico	100%	Exploration

5. SEGMENTAL ANALYSIS

	Segment result	
	September 30, 2018 $	September 30, 2017 $
Continuing Operations		
Canada	(781,134)	(239,474)
Mexico	(70,643)	(103,019)
Loss for the period	(851,777)	(342,493)

Segment assets and segment liabilities

	Assets	
	September 30, 2018 $	December 31, 2017 $
Canada	4,098	4,186
Mexico	14,180	16,483
	18,278	20,669

	Liabilities	
	September 30, 2018 $	December 31, 2017 $
Canada	(794,235)	(1,450,239)
Mexico	(2,019,071)	(1,861,663)
	(2,813,306)	(3,311,902)

6. EXPLORATION AND EVALUATION EXPENDITURES

The following table shows the Company's cumulative exploration and evaluation expenditures:

	September 30, 2018	Additions	December 31, 2017	Additions	December 31, 2016
	$000's	$000's	$000's	$000's	$000's
Bilbao	22,726	47	22,679	85	22,594
Laguna	7,281	-	7,281	-	7,281
Total	30,007	47	29,960	85	29,875

Bilbao
The Company, through its indirectly wholly-owned Mexican subsidiaries, holds a 100% interest in the Bilbao zinc-silver-lead-copper project, including the necessary surface lands for surface installations and development of the Bilbao deposit, subject to a 1.5% net smelter royalty.

Laguna
The Company holds a 100% interest in the Laguna silver-gold-mercury tailings development project and has been granted a twenty year concession dated December 10, 2003 by the Comision Nacional del Agua ("Conagua") relating to the extraction rights to six million cubic metres of tailings material, subject to an amount payable to Conagua in the amount MX$11.00 (approximately US$1.00) per cubic metre of tailings.

On October 25, 2013, Conagua, the Mexican authority responsible for water resources, advised the Company of their decision to rescind the Company's December 10, 2003, twenty year extraction licence for the Laguna project on the basis that no extraction has been done for at least three years. The Company appealed this decision through the courts. The appeal was heard by the Court of Zacatecas in June 2014 and a judgement in favor of the Company and setting aside the rescission was issued on October 7, 2014.

During the years ended December 31, 2015 and 2014, based on an impairment assessment in accordance with the Company's accounting policies using then prevailing economic conditions, the carrying values of the Company's mineral property interests were impaired to a nominal amount of one dollar.

In order to maintain the Company's mineral concessions and titles in good standing, the Company is required to maintain a prescribed minimum of annual exploration expenditure and pay fees semi-annually to the Secretaria de Economia in Mexico. Minimum expenditure commitments and concession payments totaling approximately $52,000 (MXN $1,080,000) are required annually. Failure to make the annual concession payments or incur the minimum annual exploration expenditures, to the satisfaction of the Mexican authorities, or a determination that the expenditures incurred are not qualifying expenditures, may result in the cancellation or forfeiture of the mineral concessions.

7. ACCOUNTS PAYABLE AND ACCRUALS

	September 30, 2018	December 31, 2017
	$	$
Trade creditors	9,464	20,663
Payable to related parties (Note 4)	15,000	15,000
Accrued liabilities	22,365	12,766
	46,829	48,429

(Expressed in US Dollars)

8. OTHER LIABILITY OF SUBSIDIARY

	September 30, 2018	December 31, 2017
	$	$
Liability of subsidiary	2,000,000	1,844,000
	2,000,000	1,844,000

Under an Option Agreement dated February 22, 2006, between Minco plc and Shoshone Mexico S.A. de C.V., ("Shoshone Mexico"), as amended, Minco plc, through its wholly owned subsidiary Bilbao Mining S.A. de C.V., earned into a 75% interest in four mining concessions comprising the bulk of the Bilbao property.

In August 2008, Orca Gold Corporation International ("Orca Gold"), then an indirect subsidiary of Minco plc, purchased from Shoshone Silver Mining Company ("Shoshone Silver"), for $100,000, all the shares of Shoshone Mexico, the registered owner of the four Bilbao concessions and the beneficial owner of the remaining 25% interest in the Bilbao concessions.

By an Indemnity and Guarantee Agreement dated August 11, 2008, Shoshone Silver agreed to indemnify Orca Gold and Shoshone Mexico against any damages or losses suffered from all liabilities and obligations of Shoshone Mexico in consideration of the agreement by Orca Gold to pay to Shoshone Silver the total sum of $4,900,000. Of this total amount, $2,400,000 was paid on the date of transfer of the shares of Shoshone Mexico to Orca Gold in August 2008 and a further $500,000 was paid one year after the date of the first payment.

The remaining balance of $2,000,000 payable by Orca Gold to Shoshone Silver pursuant to the Indemnity and Guarantee Agreement was expressed to be payable in four consecutive equal annual payments of $500,000 each, the first such $500,000 annual payment to be made at the time of commencement of construction of any mine developed on the Bilbao concessions, but in any event not less than six years after the date of the first payment of $2.4 million (August 2008) and provided that the remaining balance of $2,000,000 was to be paid in full no later than ten years after the date of the first payment of $2.4 million. The payment is secured by a charge granted by Shoshone Mexico in favor of Shoshone Silver and registered against the four Bilbao mining concessions. Orca Minerals Limited, the parent company of Orca Gold, guaranteed the payments and obligations of Orca Gold to Shoshone Silver under the Indemnity and Guarantee Agreement.

On August 29, 2008, Xtierra Inc acquired all of the shares of Orca Minerals Limited from Minco plc but did not assume or guarantee, on a corporate non-consolidated basis, the payments or obligations of Orca Gold and has no direct liability for any payments that may become due to Shoshone Silver under the Indemnity and Guarantee Agreement.

Construction of a mine on the Bilbao concessions has not commenced to date and Orca Gold has taken the position that the remaining balance of $2,000,000 is not payable to Shoshone Silver until the time of commencement of construction of any mine developed on the Bilbao concessions. Orca Gold is also reserving any claims that may be outstanding against Shoshone Silver under the Indemnity and Guarantee Agreement.

At the time of the Indemnity Agreement in 2008 the present value of then outstanding future payments of $2,500,000 was determined to be $1,023,000 based on a discount rate of 15%. This value was recorded as a liability and was being accreted to its face value over the period of ten years to August 2018.

9. NOTES PAYABLE

	September 30, 2018	December 31, 2017
	$	$
Notes payable		
Note payable to Pacific Road	-	731,379
Note payable to Buchans Resources	766,477	688,094
Total notes payable	766,477	1,419,473

Notes payable
Under agreements with its major shareholders Pacific Road Group of Funds ("Pacific Road") and Minco Plc ("Minco") entered into in 2014, and subsequently amended, the Company had outstanding notes payable as at December 31, 2017 of $1,419,473 which carried interest of 5%. The notes matured and had become due and payable on April 30, 2016. The notes payable are secured by a pledge by Xtierra of its shares of Orca Minerals Limited.

(Expressed in US Dollars)

9. NOTES PAYABLE (CONTINUED)

On February 14, 2018, the Company settled its secured notes owing to Pacific Road in the amount of $731,379, plus accrued interest, by the issue to Pacific Road of 18,442,721 common shares of Xtierra at Cdn$0.05 per share.

On the same date, Buchans Resources Limited ("Buchans") (successor to Minco) entered into a two-year Support and Standstill Agreement ("Support Agreement") to defer repayment of principal and accrued interest, and also to provide additional financial support of up to US$100,000, on the following terms:

- The Notes, including the additional advances, remain secured by a pledge to Buchans of the shares of Orca Minerals Limited, which indirectly holds Xtierra's mineral properties in Mexico (the "Secured Property");
- The accrual of interest is suspended during the term of the Support Agreement.
- Buchans has the option at any time, upon 60 days written notice, to require the transfer of the Secured Property to Buchans in full satisfaction of the debt, unless during that 60-day period the debt is repaid in full, in cash;
- Xtierra has the right to repay the debt in cash at any time;
- Upon expiry of the term of the Support Agreement on February 14, 2020, Xtierra may discharge the debt in full by transferring the Secured Property to Buchans.

In consideration for the Support and Standstill Agreement, the Company issued 13 million, non-transferable warrants to Buchans, each warrant entitling Buchans to purchase one common share of Xtierra for Cdn$0.05 per share for a period of two years expiring February 14, 2020. See Note 11.

10. CAPITAL STOCK

Common shares

Authorized

Unlimited number of common shares

Issued	Shares	Amount $
Balance, December 31, 2017	116,370,336	34,711,765
Shares issued	18,442,721	735,062
Total shares at September 30, 2018	134,813,057	35,446,827

In February 2018, the Company completed the partial settlement and restructuring of the Company's secured promissory notes held by its secured creditors and issued 18,442,721 common shares. See Note 9.

11. WARRANTS

On February 14, 2018, the Company issued 13 million non-transferable warrants to Buchans, each warrant entitling Buchans to purchase one common share of Xtierra for Cdn$0.05 per share for a period of two years. The fair value of the warrants, in the amount of $310,440, was estimated on the date of issue using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 115%, risk free interest rate of 1.64% and an expected life of two years. Expected volatility is based on the historical share price volatility of the Company's shares over the past year.

12. STOCK OPTIONS

The board of directors has approved a Stock Option Plan for directors, officers, management, employees and other persons who perform ongoing services for the Company or any of its subsidiaries. The purpose of the plan is to attract, retain and motivate these parties by providing them with the opportunity, through share options, to acquire a proprietary interest in the Company and to benefit from its growth.

The maximum number of common shares reserved for issuance upon the exercise of options is not to exceed 10% of the total number of common shares outstanding immediately prior to such an issuance. The options are exercisable over a period not exceeding ten years. The options are non-assignable and may be granted for a term not exceeding ten years. The exercise price of the options is fixed by the board of directors at the market price of the shares at the time of grant, subject to all applicable regulatory requirements.

12. STOCK OPTIONS (CONTINUED)

On January 30, 2018, the Company granted 9,500,000 incentive stock options to directors, officers and consultants pursuant to the Company's Stock Option Plan. The fair value of the stock options, in the amount of $302,480, was estimated on the date of issue using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 115%, risk free interest rate of 1.86% and an expected life of five years. Expected volatility is based on the historical share price volatility of the Company's shares over the past year.

As at September 30, 2018, the Company had no outstanding stock options. Stock options transactions were as follows:

Number of Options Granted and Exercisable at September 30, 2018	Estimated Grant Date Fair Value	Exercise Price	Expiry Date
(000's)	$		
9,500	302,480	Cdn$0.05	January 30, 2023

13. SHARE-BASED PAYMENT RESERVE

Share-based payment reserve transactions for the period ended September 30, 2018 were as follows:

	September 30, 2018
	$
Balance, December 31, 2017	-
Stock options granted	302,480
Balance, September 30, 2018	302,480

14. FINANCIAL INSTRUMENTS

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. There have been no significant changes in the risks or the Company's objectives, policies and procedures related to risk management during 2018 and 2017.

The principal risks to which the Company is exposed to are described below.

Fair value:
The carrying amounts for cash, amounts receivable and other, accounts payable and accruals, and notes payable on the consolidated statements of financial position approximate fair value because of the limited term of these instruments.

Capital Risk:
The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain and explore its exploration and evaluation projects. See Note 15.

Credit Risk:
Credit risk is the risk that a counterparty will be unable to pay amounts owing to the Company. Management's assessment of the Company's risk is low as it is primarily attributable to funds held in Canadian banks.

Liquidity Risk:
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At September 30, 2018, the Company had cash of $8,622 (2017 - $5,558) to settle current liabilities of $46,829 (2017 - $1,467,902). The Company's accounts payable and accruals generally have contractual maturities of less than 30 days and are subject to normal trade terms.

14. FINANCIAL INSTRUMENTS (CONTINUED)

Price Volatility of Publicly Traded Securities
Securities of exploration companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the relative attractiveness of particular industries. The Company's share price is also likely to be significantly affected by short-term changes in metal prices or in the Company's financial condition or results of operations as reflected in quarterly earnings reports.

Price Risk:
The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Price risk is remote since the Company is not a producing entity.

Interest Rate Risk:
The Company is not subject to interest rate risk due to the minimal cash levels, and the debt being at a fixed rate or not interest-bearing.

Foreign Currency Risk:
The Company is subject to foreign exchange risk as some of its operating, investing and financing activities are transacted in currencies other than the United States ("US") dollar. The Company is therefore subject to gains and losses due to fluctuations in these currencies relative to the U.S. dollar. As at September 30, 2018, the Company held Canadian monetary assets and liabilities totalling approximately (Cdn$-31,000) ($-23,600 net), and Mexican monetary assets and liabilities totalling approximately (MXN$-268,000) (-$14,400 net).

Sensitivity Analysis:
Financial instruments included in cash and amounts receivable and other are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accruals, notes payable and property acquisition obligation are classified as other financial liabilities, which are measured at amortized cost.

A one percent change in interest rates will result in a corresponding change in interest income of approximately $Nil based on monetary asset and liability balances existing at September 30, 2018.

Fair Value Hierarchy and Liquidity Risk Disclosure:
The fair value hierarchy has the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

15. CAPITAL MANAGEMENT

The Company's capital structure consists of its capital stock and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will utilize its existing working capital and seek to raise additional amounts as needed through the issue of common shares or other securities.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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

15. CAPITAL MANAGEMENT (CONTINUED)

The Company's capital management objectives, policies and processes have remained unchanged during the period ended September 30, 2018. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) CDN$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of September 30, 2018 and 2017, the Company was not compliant with Policy 2.5.

There have been no changes to the Company's capital management during 2018 and 2017.

16. COMMITMENTS AND CONTINGENCIES

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

In order to maintain the Company's mineral concessions and titles in good standing, the Company is required to maintain a prescribed minimum of annual exploration expenditure and pay fees semi-annually to the Secretaria de Economia in Mexico. Minimum expenditure commitments and concession payments totaling approximately $52,000 (MXN $1,080,000) are required annually. Failure to make the annual concession payments or incur the minimum annual exploration expenditures, to the satisfaction of the Mexican authorities, or a determination that the expenditures incurred are not qualifying expenditures, may result in the cancellation or forfeiture of the mineral concessions. See Note 6.