GUERRERO VENTURES INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Canadian Dollars)

MORGAN & COMPANY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Guerrero Venture Inc.

Opinion

We have audited the consolidated financial statements of Guerrero Venture Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of operations and comprehensive loss, cash flows and changes in deficiency for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $2,104,652 during the year ended December 31, 2018 and, as of that date, the Company's current liabilities exceeded its total assets by $2,101,869. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the management's discussion and analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Andrew Lee.

Vancouver, Canada *"Morgan & Company LLP"*

April 24, 2019 Chartered Professional Accountants

MORGAN & COMPANY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

GUERRERO VENTURES INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Expressed in Canadian dollars)

		AS AT DECEMBER 31		
		2018		2017
ASSETS				
Current				
Cash	**$**	**841**	$	2,680
Amounts receivable		**1,387**		1,332
Prepaid expenses		**-**		1,917
Total Current Assets		**2,228**		5,929
Exploration and Evaluation Assets (Note 5)		**1,180,000**		3,165,543
Total Assets	**$**	**1,182,228**	$	3,171,472
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 9)	**$**	**939,887**	$	896,879
Note payable (Note 6)		**37,333**		37,333
Loan payable (Note 7)		**1,126,877**		1,054,477
Total Liabilities		**2,104,097**		1,988,689
EQUITY				
Share Capital (Note 8)		**21,457,421**		21,457,421
Reserves		**1,037,792**		1,037,792
Deficit		**(23,417,082)**		(21,312,430)
		(921,869)		1,182,783
Total Liabilities And Equity	**$**	**1,182,228**	$	3,171,472

These consolidated interim financial statements were authorized for issue by the Board of Directors on April 24, 2019. They are signed on behalf of the Board of Directors by:

“David Baker”	“Earl Terris”
Director	Director

The accompanying notes are an integral part of these consolidated financial statements.

GUERRERO VENTURES INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in Canadian dollars)

	FOR THE YEARS ENDED DECEMBER 31	
	2018	2017
Expenses		
Consulting and administration fees	**$ -**	$ 114,000
Foreign exchange loss (gain)	**1,117**	(3,196)
Insurance	**1,917**	4,794
Management fees	**-**	96,000
Professional fees	**15,401**	97,851
Rent, telephone, office expenses	**1,211**	8,054
Shareholders' communication	**500**	5,128
Transfer agent and filing fees	**24,511**	15,615
Loss Before Other Items And Income Taxes	**(44,657)**	(338,246)
Other Items		
Interest expense (Note 7)	**(72,400)**	(72,400)
Write down of GST recoverable	**-**	(33,558)
Write down of exploration and evaluation assets	**(1,987,595)**	(3,176,901)
Net Loss and Comprehensive Loss For The Year	**$ (2,104,652)**	$ (3,621,105)
Loss Per Share, Basic and Diluted	**$ (0.40)**	$ (0.69)
Weighted Average Common Shares Outstanding, Basic and Diluted	**5,225,196**	5,225,196

The accompanying notes are an integral part of these consolidated financial statements.

GUERRERO VENTURES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars)

	FOR THE YEARS ENDED DECEMBER 31	
	2018	2017
Cash Flows Provided By (Used In):		
Operating Activities		
Net loss for the year	**$ (2,104,652)**	$ (3,621,105)
Items not involving cash		
Accrued interest on loan payable	**72,400**	72,400
Write down of GST recoverable	**-**	33,558
Write down of exploration and evaluation assets	**1,987,595**	3,176,901
Net changes in non-cash working capital items:		
Amounts receivable	**(55)**	(12,534)
Prepaid expenses	**1,917**	(288)
Accounts payable and accrued liabilities	**40,956**	341,690
	(1,839)	(9,378)
Decrease In Cash	**(1,839)**	(9,378)
Cash, Beginning Of Year	**2,680**	12,058
Cash, End Of Year	**$ 841**	$ 2,680
Supplemental Cash Flow Information		
Cash paid for income taxes	**$ -**	$ -
Cash paid for interest	**$ -**	$ -

The accompanying notes are an integral part of these consolidated financial statements.

GUERRERO VENTURES INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Canadian dollars, except number of shares)

	SHARE CAPITAL			RESERVE							
	NUMBER OF SHARES		AMOUNT		WARRANTS		SHARE-BASED COMPENSATION		DEFICIT		TOTAL
Balance, December 31, 2016	5,225,196	$	21,457,421	$	15,000	$	1,022,792	$	(17,691,325)	$	4,803,888
Net loss for the year	-		-		-		-		(3,621,105)		(3,621,105)
Balance, December 31, 2017	5,225,196	$	21,457,421	$	15,000	$	1,022,792		(21,312,430)		1,182,783
Net loss for the year	-		-		-		-		(2,104,652)		(2,104,652)
Balance, December 31, 2018	**5,225,196**	**$**	**21,457,421**	**$**	**15,000**	**$**	**1,022,792**	**$**	**(23,417,082)**	**$**	**(921,869)**

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Guerrero Ventures Inc. ("the Company") was incorporated in British Columbia, Canada. The Company's principal place of business 4567 Holly Park Court, Delta, BC, V4K 4S7 and its registered records office is located on the 10th Floor – 595 Howe Street, Vancouver, BC, V6C 2T5.

The Company is engaged in the acquisition, exploration, development and subsequent production relating to mineral properties in Mexico.

On July 12, 2018, the Company completed a share consolidation in which one post consolidation share replaced ten pre-consolidation shares. The numbers of shares and issue prices per share in this financial statements and notes have been restated to reflect the share consolidation.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to meet its obligations, and continue its operations for the next twelve months. Should the Company be unable to continue as a going concern, asset realization values may be substantially different from carrying values as currently disclosed. These consolidated interim financial statements do not give effect to adjustments that would be necessary to carrying values, and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material. At December 31, 2018, the Company had not yet achieved profitable operations, had a working capital deficit of $2,101,869 (2017 – $1,982,760), had an accumulated deficit of $23,417,082 (2017 - $21,312,430) and expects to incur further losses in the development of its business. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. As a result, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon its ability to raise adequate funding through equity or debt financings to discharge its liabilities as they come due. The Company has capital management process in place to safeguard the Company's ability to continue as a going concern. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

2. BASIS OF PRESENTATION

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of annual financial statements.

Basis of Consolidation

These consolidated financial statements include the financial statements of the Company and its wholly-owned Canadian subsidiaries, Citation Minerals Inc. and Citation International Holdings Inc., and its wholly owned Mexican subsidiary, Minera Citation Mexico S.A. de C.V. The results of the subsidiaries will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiaries ceases. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. All significant intercompany transactions and balances have been eliminated.

Significant Accounting Judgments and Estimates

The preparation of these financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Significant areas where management's judgment was applied included, but are not limited to, asset and investment valuations, contingent liabilities, decommissioning liabilities, tax provisions and deferred income tax balances. Significant areas where estimates were applied included inputs used in accounting for share-based compensation expense and the Company's cost of capital rate used to discount a promissory note. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Cash

Cash consists of cash on hand and demand deposits. Cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to insignificant risk of change and have maturities of three months or less from the date of acquisition, held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. The Company did not have cash equivalents as at December 31, 2018 and 2017.

b) Exploration and Evaluation Assets

Exploration and evaluation expenditures include the costs associated with exploration and evaluation activity such as consulting services, drilling, logistics, taxes and licenses, and capitalized value added tax ("VAT"). Exploration and evaluation expenditures are capitalized as incurred. Costs not directly attributable to exploration and evaluation activities are expensed in the period in which they occur. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

VAT related to exploration and evaluation expenditures in Mexico is capitalized because the costs are directly attributable to these activities. Therefore, the Company has capitalized VAT to exploration and evaluation assets as opposed to recording a VAT recoverable. Any VAT recovered will reduce the capitalized VAT.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, which management has determined to be indicated by a feasibility study, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Exploration and Evaluation Assets (Continued)

It is management's judgment that none of the Company's exploration and evaluation assets have reached the development stage and as a result are all considered to be exploration and evaluation assets. Although the Company has taken steps to verify title to mineral properties 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. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements. The Company is not aware of any disputed claims of title.

c) Property Option Agreements

The Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded; option payments are recorded as resource property costs or recoveries when the payments are made or received.

d) Impairment of Non-Financial Assets

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Decommissioning Liabilities

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. A pre-tax discount rate that reflects the time value of money and the risks specific to the liability are used to calculate the net present value of the expected future cash flows. These costs are charged to the statement of loss over the economic life of the related asset, through depreciation expense using either the unit-of-production or the straight-line method as appropriate. The related liability is progressively increased each period as the effect of discounting unwinds, creating an expense recognized in the statement of loss. The liability is assessed at each reporting date for changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

f) Share-based Payments

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity.

The fair value for share purchase options granted to employees and consultants are measured at the grant date and each tranche is recognized using the accelerated method basis over the period during which the share purchase options vest. The fair value of the share purchase options granted are measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

At each financial position reporting date, the amount recognized is adjusted to reflect the actual number of share purchase options that are expected to vest.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Fair Value of Warrants

Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair values using the residual method to determine the fair value of warrants issued. Warrants issued to brokers are evaluated using the Black-Scholes Model.

h) Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

i) Income and Loss Per Common Share

Basic income and loss per share is computed by dividing the net income and loss by the weighted average number of common shares outstanding during the year. The diluted income and loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The “treasury stock method” is used for the assumed proceeds upon the exercise of the stock options and warrants that are used to purchase common shares at the average market price during the period. During the years ended December 31, 2018 and 2017, all of the outstanding stock options and warrants were anti-dilutive.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Foreign Currency Transactions

The financial statements for the Company and each of its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the Company and its Canadian subsidiaries, Citation Minerals Inc. and Citation International Holdings Inc., is the Canadian dollar; and the functional currency of the Company's subsidiary Minera Citation Mexico S.A de C.V is the U.S. dollar. The presentation currency of the Company is the Canadian dollar.

Transactions denominated in foreign currencies are translated into Canadian dollars, using the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities are translated at current rates of exchange and non-monetary assets and liabilities are translated at historical rates of exchange. Revenues and expenses are translated at average rates of exchange for the period, except for amortization and depletion which are translated at rates in effect when the related assets were acquired. All exchange gains and losses are recognized in the statement of operations.

k) Financial Instruments

The Company adopted IFRS 9 in its consolidated financial statements on January 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening deficit balance on January 1, 2018. The impact on the classification and measurement of its financial instruments is set out below:

Financial Instrument	Original classification – IAS 39	New classification – IFRS 9
Cash	Held-for-trading	Fair value through profit or loss
Amounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Note payable	Other financial liabilities	Amortized cost
Loan payable	Other financial liabilities	Amortized cost

Financial assets
The Company classifies its financial assets into the following categories, depending on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition.

Amortized cost - Amortized cost are those assets which are held within a business whose objective is to hold financial assets to collect contractual cash flows; and the terms of the financial assets must provide on specified dates cash flows solely through the collection of principal and interest.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Financial Instruments (Continued)

Fair value through other comprehensive income (“FVOCI”) - FVOCI assets are those assets which are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial assets give rise on specified dates to cash flows solely through the collection of principal and interest.

Fair value through profit or loss (“FVTPL”) - A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or FVOCI. The Company may however make the irrevocable option to classify particular investments as FVTPL.

Impairment of financial assets at amortized cost: The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the consolidated statement of comprehensive loss for the year.

Financial liabilities
Management determines the classification of its financial liabilities at initial recognition.

Amortized cost - The Company classifies all financial liabilities as subsequently measured at amortized cost using the effective interest method, except for financial liabilities carried at FVTPL and certain other exceptions.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) New Accounting Standards Adopted During The Year

IFRS 9 - Financial Instruments

IFRS 9 is a new standard on financial instruments that replaces *IAS 39 - Financial Instruments: Recognition and Measurement*.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as de-recognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. The Company adopted IFRS 9 on January 1, 2018 retrospectively and no differences of any significance have been noted in relation to the adoption of the standard.

m) Accounting Standard Issued Not Yet Effective

The following standard has not been in effect as it will only be applied for the first time in future periods. It may result in consequential changes to the accounting policies and other note disclosures. The Company has not early adopted and has not yet assessed the impacts of the standard.

IFRS 16 - Leases

IFRS 16 Leases provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019.

(Expressed in Canadian Dollars)

4. FINANCIAL INSTRUMENTS

a) Fair Value

The three levels of the fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The Company has no assets or liabilities subject to fair value measurement on a recurring basis.

	FAIR VALUE INPUT LEVEL	AS AT DECEMBER 31, 2018 CARRYING AMOUNT	AS AT DECEMBER 31, 2018 ESTIMATED FAIR VALUE	AS AT DECEMBER 31, 2017 CARRYING AMOUNT	AS AT DECEMBER 31, 2017 ESTIMATED FAIR VALUE
Financial Assets:					
Cash	1	**$ 841**	**$ 841**	$ 2680	$ 2680
Amounts receivable	2	**$ 1,387**	**$ 1,387**	$ 1,332	$ 1,332
Financial Liabilities:					
Accounts payable and accrued liabilities	2	**$ 939,887**	**$ 939,887**	$ 896,879	$ 896,879
Note payable	2	**$ 37,333**	**$ 37,333**	$ 37,333	$ 37,333
Loan payable	2	**$ 1,126,877**	**$ 1,126,877**	$ 1,054,477	$ 1,054,477

Due to the relatively short term nature of cash, amounts receivable, accounts payable and accrued liabilities, note payable, and loan payable the fair value of these instruments approximates their carrying value.

4. FINANCIAL INSTRUMENTS (Continued)

b) Risk Management

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include currency, credit, interest rate and liquidity risks. Where material, these risks are reviewed and monitored by the Board of Directors.

Credit Risk

The Company's credit risk is primarily attributable to cash. Cash is held in a reputable Canadian bank which is closely monitored by management. Management believes that the credit risk concentration with respect to financial instruments included in cash is minimal. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Our interest rate risk mainly arises from the interest rate impact on our cash. A change in interest rate would have a minimal effect on the profitability of the Company.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2018, the Company held cash of $841 and had current liabilities of $2,104,097. All of the Company's current liabilities have contractual maturities of less than 30 days and were subject to normal trade terms. Those current liabilities included approximately $847,934 accrued for fees and expenses deferred by executives and employees and fees deferred to the Board in the Company's efforts to conserve cash. These fees and expenses were accrued and will not be paid until the financial position of the Company improves. The Company is seeking additional funds to ensure that it will have sufficient liquidity to meet liabilities.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS

Biricu Property

The Company holds a 100% interest in the Biricu Property that covers more than 41,000 hectares, located in the Guerrero Gold Belt in Guerrero State, Mexico. There is a 2% net smelter return royalty on all metals recovered from the property and is to be paid within six months of the Company receiving a bankable feasibility study. The royalty is equal to $10 per ounce of gold resource estimated in the feasibility study, which would be payable in cash or, at the Company's election, satisfied by the issuance of common shares. Exploration costs incurred on the Biricu property were written down in the 2018 and 2017 fiscal year due to lack of property exploration activity.

Costs incurred on Biricu Property to date include:

Balance, December 31, 2016	$ 6,334,896
Deferred exploration costs	
Capitalized VAT	970
Legal	6,578
	7,548
Write down of deferred exploration costs	(3,176,901)
Balance, December 31, 2017	$ 3,165,543
Deferred exploration costs	
Capitalized VAT	286
Legal	1,766
	2,052
Write down of deferred exploration costs	(1,987,595)
Balance, December 31, 2018	**$ 1,180,000**

(Expressed in Canadian Dollars)

6. NOTE PAYABLE

	DECEMBER 31	
	2018	2017
Promissory note, non-interest bearing, due on demand, unsecured, repayable in equal monthly payments of $8,889 to January 1, 2016. The note was discounted at 9% interest rate and the total discount of $10,851 was fully amortized as at December 31, 2015.	**$ 37,333**	$ 37,333

7. LOAN PAYABLE

In November 2015, the Company entered into an agreement, subsequently amended, with Minaurum Gold Inc. (“Minaurum”), whereby the Minaurum advanced the Company $905,000 to explore the Biricu Property in Mexico. Pursuant to the agreement, the advance is repayable, at Minaurum’s election, in cash or, subject to the satisfaction of certain conditions, into a direct interest in the project. The advance bears interest at 8% per annum.

As at December 31, 2018, a total of $905,000 (2017 - $905,000) in principal has been advanced to the Company and a total of $221,877 (2017 - $149,477) has been accrued in interest.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

b) Incentive Stock Options

The Company has a fixed stock option plan whereby a maximum of 10% of the issued shares may be reserved for issuance.

A summary of the Company's outstanding stock options as of December 31, 2018 and the changes during the period are presented below:

	Number of Options	Exercise Price	Expiry Date
Outstanding at December 31, 2016	407,500		
Expired	(5,000)	$4.40	March 13, 2017
Expired	(22,500)	$2.10	December 7, 2017
Outstanding at December 31, 2017	380,000		
Expired	(30,000)	$2.00	May 2, 2018
Outstanding at December 31, 2018	**350,000**		

On December 31, 2018, the Company had outstanding and exercisable incentive stock options as follows:

Expiry Date	Numbers of Options Outstanding and Exercisable	Exercise Price
August 20, 2019	350,000	$1.60
Balance December 31, 2018	**350,000**	

As at December 31, 2018, the weighted average remaining contractual life of the Company's stock options is 0.64 year and the weighted average exercise price is $1.60.

c) Share Purchase Warrants

There are no outstanding share purchase warrants as of December 31, 2018 and 2017.

(Expressed in Canadian Dollars)

9. RELATED PARTIES

All related party transactions and amounts owing are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Key management personnel are persons responsible for planning, directing and controlling the activities of the Company. The Company considers directors and officers of the Company to be key management personnel.

The Company retains the services of certain directors and officers. Management fees, consulting fees, and professional fees payable to related parties are as follows:

Key Management Compensation

	Years Ended December 31	
	2018	2017
Management fees	**$ -**	$ 96,000
Consulting fees	**-**	15,000
Professional fees	**-**	48,000
Total	**$ -**	$ 159,000

Other Amounts Payable to Management

	Years Ended December 31	
	2018	2017
Equipment rental	**$ -**	$ 5,812

During the year ended December 31, 2018, the Company accrued $Nil (2017 - $48,000) in consulting fees to a company controlled by the spouse of the President.

As at December 31, 2018, $525,566 of fees and expenses payable to related parties were accruals and included in accounts payable (2017 - $525,566). Also included in the accounts payable was $183,836 advance (2017 - $115,118) from the President and a company controlled by the President.

(Expressed in Canadian Dollars)

10. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax benefit is as follows:

	2018	2017
Statutory tax rates	**27%**	26%
Expected income tax recovery	**$ (570,000)**	$ (941,000)
Permanent difference	**536,000**	954,000
Change in estimates and other	**-**	(196,000)
Change in unrecognized deferred taxes	**34,000**	183,000
Deferred income tax recovery	**-**	$ -

The components of deferred income taxes are:

	2018	2017
Deferred income tax assets:		
Non-capital losses carry forwards	**$ 1,663,000**	$ 1,624,000
Resource deductions	**245,000**	244,000
Other assets	**3,000**	9,000
	1,911,000	1,877,000
Unrecognized deferred tax assets	**(1,911,000)**	(1,877,000)
Net deferred income tax asset	**$ -**	$ -

(Expressed in Canadian Dollars)

10. INCOME TAXES (Continued)

The Company has available tax losses of approximately $6,122,000 which may be offset against future Canadian taxable income. These losses expire as follows:

2026	$	244,000
2027		238,000
2028		281,000
2029		631,000
2030		697,000
2031		490,000
2032		159,000
2033		556,000
2034		1,289,000
2035		557,000
2036		401,000
2037		437,000
2038		142,000
	$	6,122,000

In addition, the Company has resource related expenditures totaling $874,000 (2017 - $874,000) which can be carried forward indefinitely to offset future taxable income.

11. SEGMENTED INFORMATION

a) Operating Segment

The Company's operations are primarily directed towards the acquisition, exploration, development and subsequent production relating to mineral properties in Mexico.

b) Geographic Segments

The Company's geographic information for the years ended December 31, 2018 and 2017 are as follows:

	Years Ended December 31			
		2018		2017
Net loss from operations:				
Canada	**$**	**113,799**	$	446,886
Mexico		**1,990,853**		3,174,219
	$	**2,104,652**	$	3,621,105
Identifiable assets				
Canada	**$**	**2,228**	$	3,871
Mexico		**1,180,000**		3,167,601
	$	**1,182,228**	$	3,171,472

12 CAPITAL MANAGEMENT

The Company manages capital with the goal to safeguard the Company's ability to continue as a going concern and ensure its ability to further explore and develop its mineral property holdings in Mexico. The Company includes cash and the components of shareholders' equity in the definition of capital.

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.

To ensure continued operations, the Company depends on external financing to fund its activities. The Company manages its capital requirements through the preparation of annual expenditure budgets, which are updated regularly to take into account factors such as successful financings to fund activities, changes in property holdings and related obligations, and exploration activities. The Company is not subject to externally imposed capital requirements.

13 SUBSEQUENT EVENTS

Subsequent to the year end, the Company entered into a debt consolidation agreement with third parties to consolidate approximately $800,000 of debt held by various creditors of the Company. The Company will issue convertible promissory notes to aggregate the indebtedness to be acquired. The promissory notes will be convertible into common shares of the Company at a conversion price of $0.05 or such lower price per common share as permitted by the TSX-V. The debt consolidation agreement is subject to regulatory and shareholder approvals.