GUERRERO VENTURES INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018
(EXPRESSED IN CANADIAN DOLLARS)

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, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity 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, 2019 and 2018, 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 had an accumulated deficit of $24,036,331 as at December 31, 2019. 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.

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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"*
February 20, 2020	Chartered Professional Accountants

MORGAN
COMPANY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Guerrero Ventures Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	As at December 31, 2019	As at December 31, 2018
ASSETS		
Current assets		
Cash	**$ 956,483**	$ 841
Marketable securities (note 4)	**61,250**	**-**
Amounts receivable and other assets (note 5)	**14,398**	1,387
Total current assets	**1,032,131**	2,228
Non-current assets		
Exploration and Evaluation Assets (notes 6 and 12)	**-**	1,180,000
Total non-current assets	**-**	1,180,000
Total assets	**$ 1,032,131**	$ 1,182,228
LIABILITIES AND EQUITY		
Current liabilities		
Amounts payable and accrued liabilities	**$ 209,189**	$ 939,887
Note payable (notes 7 and 9)	**-**	37,333
Loan payable (notes 8 and 9)	**-**	1,126,877
Total liabilities	**209,189**	2,104,097
Equity		
Share capital (note 9)	**23,360,273**	21,457,421
Reserves	**1,504,000**	1,037,792
Shares subscription receivable	**(5,000)**	-
Accumulated deficit	**(24,036,331)**	(23,417,082)
Total equity	**822,942**	(921,869)
Total liabilities and equity	**$ 1,032,131**	$ 1,182,228

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

Nature of operations and going concern (note 1)
Subsequent event (note 20)

These consolidated financial statements were authorized for issue by the Board of Directors on February 20, 2020. They are signed on behalf of the Board of Directors by:

"Barry Hildred", Director

"Peter McRae", Director

Guerrero Ventures Inc.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

Years Ended December 31,		**2019**		**2018**
Expenses (note 13)	**$**	**743,060**	$	44,657
Property investigations		**4,796**		**-**
Operating loss before interest expense		**(747,856)**		(44,657)
Interest expense		**(24,794)**		(72,400)
Debt forgiveness (note 15(b))		**104,590**		-
Gain on disposition of subsidiary (note 12)		**37,561**		-
Unrealized gain on marketable securities		**11,250**		-
Write-down of exploration and evaluation assets (note 6)		**-**		(1,987,595)
Net loss and comprehensive loss for the year	**$**	**(619,249)**	$	(2,104,652)
Basic and diluted net loss per share (note 11)	**$**	**(0.06)**	$	(0.40)
Weighted average number of common shares outstanding (note 11)		**9,894,451**		5,225,196

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

Guerrero Ventures Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Years Ended December 31,	**2019**	**2018**
Operating activities		
Net loss for the year	**$ (619,249)**	$ (2,104,652)
Adjustments for:		
Unrealized gain on marketable securities	**(11,250)**	-
Gain on disposition of subsidiary (note 12)	**(37,561)**	-
Stock-based compensation (note 10)	**466,208**	-
Debt forgiveness (note 15(b))	**(104,590)**	-
Accrued interest on loan payable	**24,794**	72,400
Write-down of exploration and evaluation assets (note 6)	**-**	1,987,595
Changes in non-cash working capital items:		
Amounts receivable and other assets	**(13,011)**	1,862
Amounts payable and other liabilities	**227,801**	40,956
Net cash used in operating activities	**(66,858)**	(1,839)
Financing activities		
Proceeds from issuance of common shares (note 9)	**995,000**	-
Advances from Medalist Capital Ltd. (note 9(b)(ii))	**27,500**	-
Net cash provided by financing activities	**1,022,500**	-
Net change in cash	**955,642**	(1,839)
Cash, beginning of year	**841**	2,680
Cash, end of year	**$ 956,483**	$ 841
Supplemental information		
Cash paid for income taxes	**$ -**	$ -
Cash paid for interest	**$ -**	$ -
Non-cash investing and financing activities		
Issue of shares for debt	**$ 902,852**	$ -

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

Guerrero Ventures Inc.
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

		Reserves				
	Share capital	Warrants	Share-based compensation	Share subscription receivable	Accumulated deficit	Total
Balance, December 31, 2018	**$ 21,457,421**	**$ 15,000**	**$ 1,022,792**	**$ -**	**$ (23,417,082)**	**$ (921,869)**
Shares for debt (note 9(b)(i))	875,352	-	-	-	-	875,352
Conversion of additional debt (note 9(b)(ii))	27,500	-	-	-	-	27,500
Private placement (note 9(b)(iii))	1,000,000	-	-	(5,000)	-	995,000
Stock-based compensation (note 10)	-	-	466,208	-	-	466,208
Net loss for the year	-	-	-	-	(619,249)	(619,249)
Balance, December 31, 2019	**$ 23,360,273**	**$ 15,000**	**$ 1,489,000**	**$ (5,000)**	**$ (24,036,331)**	**$ 822,942**
Balance, December 31, 2017	**$ 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	**$ 21,457,421**	**$ 15,000**	**$ 1,022,792**	**$ -**	**$ (23,417,082)**	**$ (921,869)**

The accompanying notes to the consolidated financial statements are an integral part of these 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 is 1275 Av. des Canadiens-de-Montréal, Suite 500, Montréal, Quebec, H3B 0G4 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.

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 these 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 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, 2019, the Company had not yet achieved profitable operations, had working capital of $822,942 (December 31, 2018 – working capital deficit of $2,101,869), had an accumulated deficit of $24,036,331 (December 31, 2018 - $23,417,082) 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. 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.

2. Basis of presentation (continued)

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. 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, 2019 and 2018.

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. 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.

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.

3. Significant accounting policies (continued)

e) Decommissioning Liabilities (continued)

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.

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.

3. Significant accounting policies (continued)

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, 2019 and 2018, all of the outstanding stock options and warrants were anti-dilutive.

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. 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

Recognition

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

Classification and Measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and,
- those to be measured subsequently at amortized cost.

3. Significant accounting policies (continued)

k) Financial Instruments (continued)

Classification and Measurement (continued)

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting year. All other financial assets are measured at their fair values at each subsequent reporting year, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

- amortized cost;
- FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
- FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost or FVTOCI are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at FVTPL are expensed in profit or loss.

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

l) New Accounting Standard Adopted

On June 7, 2017, the IASB issued IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual years beginning on or after January 1, 2019. At January 1, 2019, the Company adopted this standard and there was no material impact on the Company's consolidated financial statements.

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

l) New Accounting Standard Adopted (continued)

Effective January 1, 2019, the Company adopted IFRS 16 - Leases ("IFRS 16"). IFRS 16 was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. The adoption of IFRS 16 had no impact to the Company's consolidated financial statements.

4. Marketable securities

Marketable securities consist of equity investments in junior or small cap mining companies for the following years indicated:

	As at December 31, 2019	As at December 31, 2018
Investments at fair value	**$ 61,250**	$ -
Cost	**$ 50,000**	$ -

The Company has classified its investments in marketable securities as financial assets at fair value through profit or loss and unrealized gains and losses or changes in fair value are recorded fair value through profit or loss.

5. Amounts receivable and other assets

	As at December 31, 2019	As at December 31, 2018
Sales tax receivable - Canada	**$ 8,543**	$ 1,267
Prepaids	**5,855**	**-**
Other	**-**	120
	$ 14,398	$ 1,387

6. 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. The exploration costs that were incurred on the Biricu Property were written down in the 2018 fiscal year to a balance of $1,180,000.

(Expressed in Canadian dollars)

6. Exploration and evaluation assets (continued)

On October 1, 2019, the Company announced pursuant to the terms of the share purchase agreement dated July 11, 2019, it has completed the sale of Minera Citation Mexico S.A. de C.V., which holds the interest of the Company in the Biricu property, to Minaurum Gold Inc. ("Minaurum"), in consideration of 125,000 shares of Minaurum and past credit provided by Minaurum to the Company in regard of the exploration of the Biricu property.

A total of $1,151,671 remained payable to Minaurum, comprised of $905,000 as the principal and $246,671 in accrued interest to date, all of which was credited against the purchase consideration for the Biricu Property. As further consideration, the Company received 125,000 common shares of Minaurum at a deemed price of $0.40 for an aggregate value of $50,000. Thus, the total consideration to the Company was $1,201,671. Refer to note 12 for the gain recognized on the disposition of Citation Minerals Inc.

Costs incurred on Biricu Property to date include:

	December 31, 2019	December 31, 2018
Opening balance	**$ 1,180,000**	$ 3,165,543
Capitalized VAT	-	286
Legal	-	1,766
Write-down of deferred exploration costs	-	(1,987,595)
Disposition of Biricu Property (note 12)	(1,180,000)	-
Closing balance	**$ -**	$ 1,180,000

7. Note payable

	As at December 31, 2019	As at December 31, 2018
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

The note payable was settled for shares (see note 9).

8. Loan payable

In November 2015, the Company entered into an agreement, subsequently amended, with Minaurum, whereby Minaurum advanced the Company $770,000 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.

During the year, a total of $905,000 (December 31, 2018 - $905,000) in principal advanced to the Company and a total of $246,671 (December 31, 2018 - $221,877) in accrued interest was settled in full by disposing of its wholly-owned subsidiary. Refer to note 12.

(Expressed in Canadian dollars)

9. Share capital

a) Authorized share capital

The authorized share capital consisted of an unlimited number of common shares. The common shares do not have a par value.

b) Common shares issued

As at December 31, 2019, the issued share capital amounted to $23,360,273. Changes in issued share capital for the years presented are as follows:

	Number of common shares	Amount
Balance, December 31, 2017 and December 31, 2018	**5,225,196**	**$ 21,457,421**
Shares for debt (i)	**17,507,040**	**875,352**
Conversion of additional debt (ii)	**550,000**	**27,500**
Private placement (iii)	**10,000,000**	**1,000,000**
Balance, December 31, 2019	**33,282,236**	**$ 23,360,273**

(i) On October 18, 2019, the Company announced the completion of the transactions contemplated by the debt consolidation agreement (the "Agreement") with certain third parties, former directors and officers of the Company, and a company controlled by the spouse of the former President (collectively, the "Debt Assignees"). Pursuant to the Agreement, an aggregate of $875,352 of debt owed by the Company to various creditors, $650,733 of which were owed to former directors and officers of the Company and a company controlled by the spouse of the former President, was assigned to the Debt Assignees. Subsequent to the closing of the transactions contemplated by the Agreement, each of the Debt Assignees exercised their respective right to convert the assigned debt into common shares in the capital of the Company ("Common Shares") at a price of $0.05 per Common Share. All Common Shares issued to the Debt Assignees are subject to a four-month hold period from the date of issuance. An aggregate of 17,507,040 Common Shares were issued to the Debt Assignees, of which 17,017,860 Common Shares will be subject to the value security escrow requirements under Policy 5.4 of the TSX Venture Exchange Corporate Finance Manual.

(ii) During the year, Medalist Capital Ltd., ("Medalist") advanced $27,500 to the Company. On October 18, 2019, Medalist converted the advance into 550,000 Common Shares in the capital of the Company at a price of $0.05 per Common Share.

(iii) On November 28, 2019, the Company announced that it has closed its private placement of 10,000,000 Common Shares of the Company at a price of $0.10 per Common Share for gross proceeds of $1,000,000 (the "Offering"). All securities issued under the Offering are subject to a four-month hold period, which will expire March 28, 2020. The following related parties subscribed for Common Shares under the Offering: Chief Executive Officer ("CEO") - 1,000,000 Common Shares; Chief Investment Officer - 1,000,000 Common Shares; spouse of a Director - 199,980 Common Shares; and a company controlled by the former President and CEO - 50,490 Common Shares. As at December 31, 2019, the Company has a share subscription receivable of $5,000 (December 31, 2018 - $nil) related to common shares issued from the private placement. Subsequent to the year end, the Company received $5,000.

(Expressed in Canadian dollars)

10. Stock options

The Company has a fixed stock option plan whereby a maximum of 10% of the issued shares may be reserved for issuance. The following table reflects the continuity of stock options:

	Number of stock options	Weighted average exercise price ($)
Balance, December 31, 2017	**380,000**	**1.63**
Expired	(30,000)	2.00
Balance, December 31, 2018	**350,000**	**1.60**
Balance, December 31, 2018	**350,000**	**1.60**
Granted (i)	2,425,000	0.20
Expired	(350,000)	1.60
Balance, December 31, 2019	**2,425,000**	**0.20**

(i) On November 27, 2019, the Company granted an aggregate of 2,425,000 stock options to purchase Common Shares, at an exercise price of $0.20, to certain officers, directors and consultants of the Company pursuant to the stock option plan of the Company. 2,000,000 of the stock options granted will expire five years from the date of grant and the remaining 425,000 stock options granted will expire three years from the date of grant. The grant date fair value of $466,208 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: share price of $0.20, expected dividend yield of 0%, expected volatility range of 183% and 201% which is based on historical volatility of the Company's share price, risk-free rate of return range of 1.58% and 1.51% and an expected maturity of 3 and 5 years. For the year ended December 31, 2019, $466,208 was expensed to stock-based compensation (year ended December 31, 2018 - $nil).

The Company had the following stock options outstanding as of December 31, 2019:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Expiry Date
425,000	425,000	0.20	2.91	November 27, 2022
2,000,000	2,000,000	0.20	4.91	November 27, 2024
2,425,000	**2,425,000**	**0.20**	**4.56**	

11. Net loss per common share

The calculation of basic and diluted loss per share for the year ended December 31, 2019 was based on the loss attributable to common shareholders of $619,249 (year ended December 31, 2018 - loss of $2,104,652) and the weighted average number of common shares outstanding of 9,894,451 (year ended December 31, 2018 - 5,225,196). Diluted loss per share did not include the effect of 2,425,000 stock options (December 31, 2018 - 350,000 stock options) as they are anti-dilutive.

(Expressed in Canadian dollars)

12. Gain on disposition of subsidiary

On October 1, 2019, the Company announced pursuant to the terms of the share purchase agreement dated July 11, 2019, it has completed the sale of Minera Citation Mexico S.A. de C.V., which holds the interest of the Company in the Biricu property, to Minaurum, in consideration of 125,000 shares of Minaurum and past credit provided by Minaurum to the Company in regard of the exploration of the Biricu property.

A total of $1,151,671 remained payable to Minaurum, comprised of $905,000 as the principal and $246,671 in accrued interest to date, all of which was credited against the purchase consideration for the Biricu Property. As further consideration, the Company received 125,000 common shares of Minaurum at a deemed price of $0.40 for an aggregate value of $50,000. Thus, the total consideration to the Company was $1,201,671.

The fair value of the consideration received and the net assets derecognized were as follows:

125,000 shares of Minaurum	$	50,000
Settlement of debt		1,151,671
Total consideration received	**$**	**1,201,671**
Exploration and evaluation assets (note 6)	$	1,180,000
Accounts payable		(15,890)
Total net assets derecognized	**$**	**1,164,110**
Gain on disposition of subsidiary	**$**	**37,561**

13. Expenses

Years Ended December 31,		**2019**		**2018**
Foreign exchange (gain) / loss	**$**	**(656)**	$	1,117
Insurance		**488**		1,917
Professional fees		**188,038**		15,401
Stock-based compensation (note 10)		**466,208**		-
Rent, telephone, office expenses		**49,665**		1,211
Shareholders' communications		**5,470**		500
Transfer agent and filing fees		**33,847**		24,511
	$	**743,060**	$	44,657

14. Financial instrument classifications

December 31, 2019	**Classification and Measurement Criteria**		**Carrying Value**
Financial assets			
Current			
Cash	FVTPL	**$**	**956,483**
Marketable securities	FVTPL		**61,250**
Amounts receivable	Amortized cost		**8,543**
Financial liabilities			
Current			
Accounts payable and accrued liabilities	Amortized cost		**209,189**

(Expressed in Canadian dollars)

14. Financial instrument classifications (continued)

December 31, 2018	Classification and Measurement Criteria		Carrying Value
Financial assets			
Current			
Cash	FVTPL	$	841
Amounts receivable	Amortized cost		1,387
Financial liabilities			
Current			
Accounts payable and accrued liabilities	Amortized cost		939,887
Note payable	Amortized cost		37,333
Loan payable	Amortized cost		1,126,877

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.

Cash and marketable securities are considered Level 1 pursuant to the fair value hierarchy.

15. Related party transactions and balances

Related parties include the Board of Directors and officers, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

(a) As at December 31, 2019, $54,875 of fees and expenses payable to related parties were accruals and included in accounts payable (December 31, 2018 - $525,566). Also included in the accounts payable was $nil advance (December 31, 2018 - $183,836) from the former President and a company controlled by the former President.

(b) For the year ended December 31, 2019, a company controlled by the former President of the Company forgave debt in the amount of $104,590 (year ended December 31, 2018 - $nil).

(c) During the year ended December 31, 2019, the Company paid professional fees of $7,890 (year ended December 31, 2018 - $nil) to companies controlled by the Chief Financial Officer.

(Expressed in Canadian dollars)

16. Segmented information

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

Identifiable assets	**December 31, 2019**	**December 31, 2018**
Canada	$ 1,032,131	$ 2,228
Mexico	-	1,180,000
	$ 1,032,131	**$ 1,182,228**

Loss from operations

Years Ended December 31,	**2019**	**2018**
Canada	$ 619,905	$ 113,799
Mexico	(656)	1,990,853
	$ 619,249	**$ 2,104,652**

17. 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 $956,483 and had current liabilities of $209,189. 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 $nil (December 31, 2018 - $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)

18. 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 explore and develop mineral property holdings. 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.

19. Income Tax Expense

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

	2019	2018
Loss before income taxes	**$ 619,249**	$ 2,104,652
Statutory rate	**27.0%**	26.5%
Expected income tax expense (recovery)	**(167,000)**	(570,000)
Permanent difference	**124,000**	536,000
Sale of subsidiary	**19,000**	-
Change in deferred taxes not recognized	**23,000**	34,000
Change in estimate	**1,000**	-
Income tax expense	**$ -**	$ -

Deferred Income Taxes

The temporary differences that give rise to deferred income tax assets are presented below:

	2019	2018
Non-capital loss carry forwards	**$ 1,696,000**	$ 1,663,000
Mineral properties and deferred exploration costs	**236,000**	245,000
Other assets	**2,000**	3,000
Total temporary differences	**$ 1,934,000**	$ 1,911,000
Less: Deferred taxes not recognized	**(1,934,000)**	(1,911,000)
Total deferred income tax asset (liability)	**$ -**	$ -

The Company has not recorded any deferred income tax asset because it believes it is not probable that sufficient taxable income will be realized during the carryforward period to utilize the deferred income tax asset.

(Expressed in Canadian dollars)

19. Income Tax Expense (continued)

Loss Carry Forwards

As at December 31, 2019, the Company has non-capital tax loss carryforwards of $6,282,000 expiring 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	137,000
2039	165,000
	$ 6,282,000

In addition, the Company has resource related expenditures totally $874,000 (December 31, 2018 - $874,000) which can be carried forward indefinitely to offset future taxable income.

20. Subsequent event

On January 7, 2020, Company announced that it has been continued as a federal corporation subject to the provisions of the *Canada Business Corporations Act* (the "Continuance"). The Continuance was approved by the shareholders of the Company at the Company's annual and special shareholder meeting held on August 19, 2019. Prior to the Continuance, the Company was subject to the Business Corporations Act (British Columbia). As a result of the Continuance, the Company is now a Canadian federal corporation. The registered office of the Company was changed from Vancouver, British Columbia to Montreal, Québec.