MINERA ALAMOS INC.

Consolidated Financial Statements

December 31, 2018 and 2017

Independent Auditor's Report

To the Shareholders of Minera Alamos Inc.:

Opinion

We have audited the consolidated financial statements of Minera Alamos Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows 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 December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits 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 audits 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 2 in the consolidated financial statements, that the Company incurred a net loss of $25,619,799 during the year ended December 31, 2018 and, as at that date, had a working capital deficiency of $1,163,299. The Company has incurred losses from inception, has not yet achieved profitable operations, is currently in the development stage and has not commenced commercial operations. The Company's ability to continue as a going concern is dependent upon its ability to raise equity financing and the attainment of profitable operations. As stated in Note 2, these events or conditions 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 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 audits 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 audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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.

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

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 Patrycja Anna Kajda.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

April 29, 2019 — Licensed Public Accountants

Minera Alamos Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Notes	December 31, 2018	December 31, 2017
		$	$
Assets			
Current assets			
Cash and cash equivalents		**1,181,201**	3,892,135
Restricted cash	7	**30,148**	30,148
Accounts receivable	18	**367,298**	4,774
Prepaid and other		**149,802**	50,671
Taxes receivable		**1,048,150**	325,659
		2,776,599	4,303,387
Equipment	9	**642,676**	548,650
		3,419,275	4,852,037
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	18	**1,560,338**	1,201,239
Current portion of long-term loan	8	**545,680**	221,000
Senior secured loan	10	**1,833,880**	-
		3,939,898	1,422,239
Long-term loan	8	**244,638**	934,825
Provisions	8	**48,400**	-
		4,232,936	2,357,064
Shareholders' Equity			
Share capital	11	**65,369,627**	44,738,147
Contributed surplus		**3,711,913**	3,711,913
Options reserve	13	**2,648,300**	1,610,300
Warrants reserve	11 & 12	**4,044,022**	3,402,337
Deficit		**(76,587,523)**	(50,967,724)
		(813,661)	2,494,973
		3,419,275	4,852,037

Basis of Presentation and Going Concern (note 2)
Commitments and Contingencies (note 14)
Subsequent Event (note 19)

Approved by the Board:

Signed*: "Bruce Durham"*
Director

Signed: "Darren Koningen"
Director

Please see accompanying notes to the consolidated financial statements

Minera Alamos Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

		For the years ended December 31,	
	Notes	**2018**	**2017**
		$	$
Expenses			
Depreciation and amortization	9	**27,554**	10,117
Exploration and evaluation, net of recoveries	8	**22,813,186**	3,246,132
Insurance		**31,268**	26,571
Interest expense		**13,233**	-
Investor relations		**157,812**	190,496
Office and administration		**458,487**	338,625
Professional fees		**663,283**	289,576
Salaries and compensation		**949,588**	1,393,300
Share-based compensation	13 & 18	**240,000**	777,500
Transfer agent regulatory fees		**52,978**	25,330
Travel		**143,730**	89,437
		25,551,119	(6,387,084)
Other Items			
Foreign exchange loss (gain)		**88,190**	(115,113)
Other income		**(19,510)**	(9,639)
		68,680	(124,752)
Net loss and comprehensive loss for the year		**(25,619,799)**	(6,262,333)
Net loss per share:			
Basic and diluted		**(0.10)**	(0.05)
Weighted average number of common shares outstanding:			
Basic and diluted		**258,424,099**	119,979,583

Please see accompanying notes to the consolidated financial statements

Minera Alamos Inc
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

		Share Capital						
	Note	Number of Shares #	Amount $	Warrants reserve $	Contributed surplus $	Options reserve $	Deficit $	Total equity $
Balance, January 1, 2017		**86,794,248**	**36,525,360**	**3,191,537**	**3,428,063**	**1,116,650**	**(44,705,391)**	**(443,781)**
Issued on private placement	11b(i)(ii)	58,045,000	8,706,750	-	-	-	-	8,706,750
Share issue costs	11b(i)(ii)	-	(795,465)	-	-	-	-	(795,465)
Broker warrants issued	11b(i)(ii)	-	(431,515)	431,515	-	-	-	-
Expiration of options	13	-	-	-	283,850	(283,850)	-	-
Options issued	13	-	-	-	-	777,500	-	777,500
Warrants exercised	11b(v),12	4,454,960	733,017	(220,715)	-	-	-	512,302
Net loss for the year		-	-	-	-	-	(6,262,333)	(6,262,333)
Balance, December 31, 2017		**149,294,208**	**44,738,147**	**3,402,337**	**3,711,913**	**1,610,300**	**(50,967,724)**	**2,494,973**
Balance, January 1, 2018		**149,294,208**	**44,738,147**	**3,402,337**	**3,711,913**	**1,610,300**	**(50,967,724)**	**2,494,973**
Shares issued for Corex	6,11b(iii)	150,470,661	21,065,893	-	-	-	-	21,065,893
Warrants issued for Corex	6,11b(iii)	-	-	689,886	-	-	-	689,886
Options issued for Corex	6,11b(iii)	-	-	-	-	798,000	-	798,000
Share issue costs		-	(610,416)	-	-	-	-	(610,416)
Options issued	13	-	-	-	-	240,000	-	240,000
Warrants issued	11b(iv)	-	-	4,000	-	-	-	4,000
Warrants exercised	11b(v),12	1,187,060	176,003	(52,201)	-	-	-	123,802
Net loss for the year		-	-	-	-	-	(25,619,799)	(25,619,799)
Balance, December 31, 2018		**300,951,929**	**65,369,627**	**4,044,022**	**3,711,913**	**2,648,300**	**(76,587,523)**	**(813,661)**

Please see accompanying notes to the consolidated financial statements

Minera Alamos Inc

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Notes	For the years ended December 31, 2018 $	2017 $
Cash flows from operating activities			
Net loss for the year		**(25,619,799)**	(6,262,333)
Adjustments to reconcile net loss to net cash flows:			
Non-cash adjustments:			
Depreciation		**27,554**	10,117
Accretion – long-term liabilities	8	**37,094**	169,000
Deferred financing fees		**(186,500)**	-
Amortization of prepaid financing fees		**7,147**	-
Interest Expense		**13,233**	-
Warrants issued for senior secured loan		**4,000**	-
Common shares issued for Corex	6	**18,506,593**	-
Warrants issued for Corex	6	**689,886**	-
Stock options issued for Corex	6	**798,000**	-
Share-based compensation	13 & 18	**240,000**	777,500
		(5,482,792)	(5,305,716)
Changes in non-cash operating adjustments:			
Accounts receivable		**514,756**	(4,774)
Prepaid expenses		**(99,131)**	15,318
Taxes receivable		**(722,491)**	(92,145)
Accounts payable and accrued liabilities		**(548,862)**	332,809
Net cash flows used in operating activities		**(6,338,520)**	(5,054,508)
Cash flows from investing activities			
Cash acquired on Corex acquisiton		**2,638,381**	
Acquisition of equipment	9	**(121,580)**	(39,427)
Disposal of equipment	9	**-**	291,504
Payment towards long-term liabilities	8	**(402,601)**	(336,000)
Restricted cash	7	**-**	(117)
Net cash flows used in investing activities		**2,114,200**	(84,040)
Cash flows from financing activities			
Long-term debt advance	10	**2,000,000**	-
Issuance of common shares, net	11	**-**	7,911,285
Share issue costs	11	**(610,416)**	-
Exercise of warrants	11	**123,802**	512,302
Net cash flows from financing activities		**1,513,386**	8,423,587
Net (decrease) increase in cash and cash equivalents		**(2,710,934)**	3,285,039
Cash and cash equivalents, beginning of year		**3,892,135**	607,096
Cash and cash equivalents, end of year		**1,181,201**	3,892,135

Please see accompanying notes to the consolidated financial statements

1. GENERAL INFORMATION

Minera Alamos Inc. (the "Company") is a junior mining exploration company engaged directly and indirectly through its subsidiaries in the acquisition, exploration and development of mineral properties located in Mexico.

These consolidated financial statements include the accounts of the Company, its Mexican subsidiaries Minera Alamos de Sonora S.A. de C.V., Molibdeno Los Verdes S.A. de C.V., Cobre 4H S.A. de C.V., Corex Gold Corporation and Corex Global S de RL de SV. The Company's head office is located at 55 York Street East, Suite 402, Toronto, Ontario, Canada, M5J 1R7.

2. BASIS OF PRESENTATION AND GOING CONCERN

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. This is dependent upon the discovery of economically recoverable reserves, the ability of the Company to raise financing, the achievement of profitable operations or, alternatively, upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

These consolidated financial statements have been prepared on a basis which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue to do so is dependent on the ability of the Company to raise equity financing and the attainment of profitable operations. There are no assurances that the Company will be successful in achieving these goals.

The Company's operations during the year ended December 31, 2018, produced a net loss of $25,619,799 as compared to a loss of $6,262,333, in the comparable year. At December 31, 2018, the Company had a working capital deficit of $1,163,299 in comparison to December 31, 2017, working capital of $2,881,148. Included in this year's net loss is an amount of $20,001,249, the fair value assigned to the Corex exploration and evaluation asset that was expensed upon the acquisition of Corex.

On March 4, 2019, the Company closed a non-brokered private placement offering of 49,947,500 common shares of the Company at a price of $0.10 per Common Share for aggregate gross proceeds of $4,994,750. In connection with the Offering, the Company paid cash finder's fees of $280,200 and issued 2,898,000 finder's warrants (the "Finder's Warrants") (Note 19).

As at December 31, 2018, the Company had not yet achieved profitable operations and expects to incur further losses, which may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

3. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations set by the IFRS Interpretations Committee (previously the International Financial Reporting Interpretations Committee, "IFRIC"). The Company has consistently applied the same accounting policies for all periods reported in these consolidated financial statements.

The policies applied in these consolidated financial statements are presented in Note 4 and are based on IFRS issued and outstanding as of April 29, 2019, the date the Board of Directors approved these consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

These consolidated financial statements are presented in Canadian dollars and are prepared on the historical cost basis, modified by the measurement at fair value of certain financial instruments.

(b) Accounting standards and interpretations effective in future periods

IFRS 16 – Leases ("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 the modified retrospective method 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 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied. Management notes that the operating leases (see Note 14) will be accounted for on the statement of financial position on adoption of IFRS 16. Management is currently assessing the impact on the consolidated financial statements.

IFRIC 23 was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If any entity concludes it is probably that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistent with the tax treatment used or planned to be used in its income tax filings. If any entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 will be effective for annual periods beginning on or after January 1, 2019. The Company does not expect IFRS 23 to have a material impact on its financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Share-based payment

The Company's share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as salary and compensation expense with a corresponding increase in equity. The fair value of the option grant is measured at grant date and each tranche is recognized on a graded basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Upon exercise of the stock options, the consideration paid, together with the amount previously recognized in share-based payments reserve, is recorded as an increase in common shares.

(d) Deferred taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in consolidated statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous year.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the consumption of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net loss and comprehensive loss or in equity depending on the item to which the adjustment relates.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Equipment

Equipment are carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in consolidated statement of loss and comprehensive loss. Where an item of property and equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, are capitalized.

The Company provides for depreciation of its equipment at the following annual rates:

Mining equipment	- 5 to 10 years straight line basis
Office equipment	- 20% to 45% declining balance
Leasehold improvements	- Lesser of 5 years or lease term, straight line basis
Vehicles	- 30% declining balance

(f) Mineral properties and exploration and evaluation costs

The Company expenses all costs relating to the acquisition of, exploration for, and development of mineral properties and it credits all revenues received against the exploration expenditures. Such costs include, but are not limited to, geological, geophysical studies, exploratory drilling and sampling.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized; this includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Impairment

At the end of each reporting period 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 asset is estimated in order to determine the extent of the impairment, if any. The 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 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 consolidated statement of loss and comprehensive loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates.

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 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 consolidated statement of loss and comprehensive loss.

(h) Foreign currencies

The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar. The Company recognizes transactions in currencies other than the Canadian dollar (foreign currencies) at the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the consolidated statements of loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial Instruments

<u>Financial assets</u>

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments (“IFRS 9”) to Replace IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 provides a revised model for recognition and measurement of financial instruments, and a single, forward looking “expected loss” impairment model. IFRS 9 also includes a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning or after January 1, 2018, with early adoption permitted.

As a result of the adoption of IFRS 9, the Company has changed its accounting policy for financial instruments retrospectively, for financial instruments that were recognized at the date of application, which was January 1, 2018. The change did not impact the carrying value of any financial instruments on this date.

IFRS 9 includes requirement for recognition and measurement, impairment, de-recognition and general hedge accounting. Financial assets within the scope of IFRS 9 are classified in the following measurement categories: at fair value through profit or loss, (“FVTPL”) amortized cost, or fair value through other comprehensive income (“FVOCI”). The Company determines the classification of its financial assets at initial recognition.

i. Financial assets recorded at fair value through profit or loss (“FVTPL”)

Financial assets are classified as fair value through profit or loss if they do not meet the criteria of amortized cost or fair value through other comprehensive income (“FVOCI”). Gains or losses on these items are recognized in consolidated statement of loss and comprehensive loss.

The Company’s cash and cash equivalents and restricted cash are classified as financial assets measured at FVTPL.

ii. Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the object of the Company’s business model for these financial assets is to collect their contractual cash flows; and 2) the asset’s contractual cash flows represent "solely payments of principal and interest". Financial assets classified as amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other definitive evidence is received that a specific counterparty will default. The Company’s accounts and other receivables are classified as financial assets measured at amortized cost.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial Instruments (Continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit and loss or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

i. Amortized cost

Financial liabilities measured at amortized cost, including borrowings, are measured at fair value, net of transaction cost. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis. The effective yield basis is a method of calculating the unamortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flow payments over the expected life of the financial liability to the net carrying amount on initial recognition. The Company's accounts payable and accrued liabilities, senior secured loan and long-term loan do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

Transaction costs

Transaction costs associated with financial instruments, carried at fair value through consolidated statement of loss and comprehensive loss, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in consolidated statement of loss and comprehensive loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

De-recognition of financial liability

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in consolidated statement of loss and comprehensive loss.

Expected credit loss impairment model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial Instruments (Continued)

The Company recognizes expected credit loss for trade receivables based on the simplified approach under IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Classification

In implementing IFRS 9, the Company updated the financial instruments classification within its accounting policy. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets and liabilities	Original classification under IAS 39	New classification under IFRS 9
Cash	FVTPL	FVPTL
Restricted cash	FVTPL	FVTPL
Accounts receivable, excluding HST receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Senior secured loan	Other financial liabilities	Amortized cost
Long term loan	Other financial liabilities	Amortized cost

The Company determines the classification of financial assets at initial recognition. The classification of its instruments is based on the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading (including all equity derivative instruments) are classified as fair value through profit and loss. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them at fair value through other comprehensive income. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash deposits in banks, certificates of deposit and short-term investments with remaining maturities of three months or less at time of acquisition. The Company does not hold any asset backed commercial paper.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Asset retirement obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising for the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized to the carrying value of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against consolidated statement of loss and comprehensive loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

(l) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(m) Provisions

A provision is recognized in the consolidated statements of financial position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(n) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(o) Loss per share

Basic loss per common share is calculated by dividing the loss attributed to shareholders for the period by the weighted average number of common shares outstanding in the period. Diluted loss per common share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. Convertible instruments including stock options and warrants outstanding are not included in the computation of diluted loss per share if their inclusion would be anti-dilutive.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Segment reporting

A segment is a component of the Company that is distinguishable by economic activity (business segment), or by its geographical location (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company operates in one business segment, mineral exploration, and two geographical segments, Canada and Mexico.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated 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 the revision affects both current and future periods.

Significant assumptions and judgments about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Income taxes

The measurement of income taxes payable and deferred tax assets and liabilities requires management to make judgments in the interpretations and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax returns by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements.

Asset retirement obligation

Asset retirement obligations has been created based on the estimated settlement amounts. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed quarterly and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to liability on a quarterly basis. Actual rehabilitation costs ultimately depend on actual future settlement amount for rehabilitation costs which will reflect the market condition at the time of the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimated useful life, depreciation and amortization

Management estimates the useful lives of property and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of property and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's property and equipment in the future.

Determination of the fair value of warrants

Estimating fair value for warrants requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield of the warrants. The fair value of warrants is evaluated using the Black-Scholes valuation model at the date of grant. The Company has made estimates as to the expected volatility and expected life of warrants. The expected volatility is based on the average volatility of share prices of similar companies, over the period of the expected life of the warrants. The expected life of the warrant is based on historical data. These estimates may not necessarily be indicative of future actual patterns.

Determination of Stock-based compensation

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The model used by the Company is the Black-Scholes valuation model at the date of the grant. The Company has made estimates to the volatility, the probable life of the stock options granted and the time of exercise of those stock options. The expected volatility is based on the average volatility of share prices of similar companies, over the period of the expected life of the stock options. The expected life of the stock options is based on historical data. These estimates may not necessarily be indicative of future actual patterns.

Business combinations

Business combinations are accounted for using the acquisition method of accounting, whereby identifiable assets acquired, and liabilities assumed are recorded at fair value as of the date of acquisition with the excess of the purchase price over such fair value recorded as goodwill. If a transaction does not meet the definition of a business combination as per IFRS standards, the transaction is recorded as an acquisition of an asset.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Impairment of long-lived assets

The Company monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flow expect to result from the use of the related assets. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset to which it belongs may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds its recoverable amount, being the higher of value in use or fair value, less costs to sell. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment to determine whether future economic benefits are likely to arise and whether activities have reached a stage where the technical feasibility and commercial viability of extracting the mineral resource is demonstrable.

6. BUSINESS COMBINATION

Acquisition of Corex Gold Corporation ("Corex")

The Company entered into a definitive arrangement agreement (The Arrangement) dated January 30, 2018, which was approved by Corex Gold Corporation ("Corex") shareholders pursuant to a special meeting held on April 4, 2018, and closed on April 13, 2018, to acquire Corex, a Mexican gold development company. Under the terms of the Arrangement, each Corex shareholder received 0.95 common shares of the Company, in exchange for each Corex share held. The Arrangement was completed by way of share exchange pursuant to a statutory plan of arrangement under the *Business Corporations Act* (British Columbia) resulting in Corex becoming a wholly owned subsidiary of the Company. Pursuant to the Arrangement, the Company issued 150,470,661 common shares valued at $0.14 to the former shareholders of Corex.

In connection with this transaction the Company also issued 22,985,725 warrants valued at $689,886 and issued 6,935,000 share purchase options valued at $798,000 in exchange for the cancelation of Corex warrants and options outstanding.

The transaction does not constitute a business combination as Corex does not meet the definition of a business under IFRS 3, Business Combinations. As a result, the transaction is accounted for as an acquisition of assets.

Given the mineral properties obtained were still in the exploration and evaluation stage, it was not possible to measure the fair value. Therefore the acquisition has been measured using the fair value of the consideration transferred. The excess of the consideration transferred over the fair value of the net assets has been allocated to the exploration and evaluation assets.

6. BUSINESS COMBINATION (Continued)

Purchase Price	**Quantity**	**Amount**
Common shares issued	150,470,661	$21,065,893
Stock-options	6,935,000	798,000
Warrants	22,985,725	689,886
Total Purchase Price		$22,553,779

Net Assets Acquired	
Cash	$2,638,381
Receivables, prepaids and other	877,280
Equipment	18,230
Exploration and evaluation assets	20,001,249
Accounts payable	(907,961)
Note Payable	(25,000)
Provisions	(48,400)
	$22,553,779

The Company's accounting policy is to expense all costs relating to the acquisition of, exploration for and development of mineral properties. As such the exploration and evaluation assets, noted in the table above, were expensed upon acquisition.

7. RESTRICTED CASH EQUIVALENTS

As at December 31, 2018, the Company held GICs in the aggregate amount of $30,148 (2017 - $30,148) as security for its corporate credit cards.

8. MINERAL PROPERTIES AND EXPLORATION EXPENSE

	For the years ended December 31,	
	2018	**2017**
	$	$
Santana Mexico[(i) (ii)]	20,062,515	-
La Fortuna, Mexico	2,339,567	1,039,851
Guadalupe de los Reyes, Mexico	214,347	1,967,304
Los Verdes, Mexico	178,535	216,987
Other	18,222	21,990
Total	22,813,186	3,246,132

(i) The amount includes $20,001,249 of expenditures related to the Santana Project from the Corex acquisition (see Note 6).

(ii) Included in the amount is $937,000 representing proceeds from the sale of gold samples from the property.

Santana project, State of Sonora, Mexico

The Santana Property consists of 8 mining claims and covers approximately 7,300 hectares and is located approximately 200 kilometres east-southeast of Hermosillo, Sonora, Mexico. Additionally, the Company holds a 100% interest in two contiguous mining concessions that cover approximately 350 hectares, referred to as Santa Lucia and Hilda 35 Fraccion 1, located in Sonora State, Mexico, pursuant to two property option agreements dated December 11, 2007, and amending agreement dated January 20, 2012, between the Company and private vendors.

The Hilda 35 Fraccion 1 is also subject to a 2% net smelter return royalty (“NSR”). Each 1% NSR can be purchased for US$1,000,000 within the three years following the conclusion of the feasibility study with positive results.

The Company fulfils its site restoration obligations as required. Management will continue to assess its site restoration obligations as future exploration activity is undertaken. At December 31, 2018, the estimated costs for exploration and evaluation rehabilitation were $48,400. Discounted present value was not calculated due to the expected short-term nature of the obligation.

La Fortuna project, State of Durango, Mexico

On May 4, 2016, the Company announced the completion of the acquisition of 100% of the mineral claims known as the “La Fortuna” gold project located in the State of Durango, Mexico from Argonaut Gold Inc. and its wholly owned subsidiary Durango Fern Mines, S.A. de C.V., consisting of 4 claims totaling 994 hectares.

In August 2016, the Company announced that it had acquired more than 5,400 hectares in additional mineral concessions surrounding the La Fortuna gold project. The new claims were acquired directly from the federal mining authorities in Mexico (Dirección General de Minas) with no payments to any other third parties, increasing the Company’s total land package to over 6,400 hectares.

8. MINERAL PROPERTIES AND EXPLORATION EXPENSE (Continued)

Pursuant to the terms of the purchase agreement, the Company paid the vendor USD $750,000 on closing and has recognized the fair value of the remaining purchase obligation of USD $1,250,000 due within a 24-month period. During the year payments of USD $400,000 were made, and the remaining USD $1,000,000 will be paid upon the announcement of a construction decision. The net present value of these remaining payments, discounted at an effective interest rate of 15%, is recognized as follows: $545,680 (2017 – $221,000) is the current portion of the purchase obligation, $244,638 (2017 – $934,825) is included in long-term liabilities and $37,094 (2017 - $169,000) was recognized as an accretion expense. The Vendor is also entitled to a 2.5% net smelter returns royalty ("NSR"), subject to a maximum amount of USD $4,500,000.

In May 2017, additional rights and options were granted on La Fortuna in connection with a private placement (Note 11b(i)). The Subscriber and the Company entered into an investment agreement (the "Investment Agreement") which provides for the following:

- *Royalty Option*: The Subscriber will be granted an option to purchase up to a 4.0% NSR in the La Fortuna Property for total consideration of $9 million.
- *Royalty/Stream Right*: As long as the Subscriber holds common shares equal to at least 10% of the issued and outstanding common shares of the Company, on a non-diluted basis, the Subscriber will have a participation right on any and all royalties, streams, or similar interests granted on properties belonging to the Company.
- *Additional Rights*: The Subscriber has (i) the right to participate in half of any buybacks of existing La Fortuna royalties, and (ii) the right to acquire a 2.0% NSR on any property acquired within a 250-km radius of La Fortuna.

8. MINERAL PROPERTIES AND EXPLORATION EXPENSE (Continued)

Guadalupe de los Reyes (GDR), State of Sinaloa, Mexico

On October 23, 2017, the Company entered into an option agreement to acquire Minera Gold Stake S.A DE C.V. (“MGS”), a subsidiary of Vista Gold Corp. (“Vista”), which holds 100% interest in mineral rights collectively referred to as the Guadalupe de los Reyes Project. Pursuant to the terms of the Agreement, the Company will earn a 100% interest in the project by paying Vista a total of USD $6.0 million in staged payments as follows: US$ 1.5 million on closing (CAD $1,967,304 paid in 2017), USD $1.5 million on each of the 12 and 24 month anniversary dates in order to maintain the option and a final purchase price of USD $1.5 million on or before the earlier of (i) an announcement of a construction decision by the Company, or (ii) the 48 month anniversary of the Agreement. Subsequent to an amending agreement dated October 24, 2018, the 12 month anniversary payment date was extended from October 23, 2018 to April 23, 2019.

As compensation for the extension Vista received a cash payment of USD $150,000 and interest of 1.5% per month from January 23 to April 23 on the USD $1,500,000 anniversary payment. On April 23, 2019, the Company made the payment of USD $1,500,000 and the accrued interest of USD $67,500.

Production from any open pit (heap leach) mining operations at the Project (the “Open Pit Royalty”) will be subject to a minimum 1% NSR payable to Vista which could increase up to 2% if gold prices exceed USD $1,600 per ounce. This royalty is capped at USD $2.0 million.

Vista also retains the right to acquire a 49% non-carried interest in the development of underground gold resources should the Company decide at a later date to pursue potential zones of deep mineralization (excludes all open pit accessible mineralization). Where Vista chooses not to participate in the development of any underground resource or where they participate but are eventually diluted below a 10% interest Vista will retain a NSR on mineral production from such underground production (the “Underground NSR”) at the same rate as the Open Pit Royalty. The Underground NSR is not capped.

Los Verdes project, State of Sonora, Mexico

The Company holds a 100% interest in a mining property known as Los Verdes, a molybdenum-copper property located in the State of Sonora, Mexico. Included in the Los Verdes project is the Bacanora claim totaling 55 hectares acquired on January 31, 2007. Included in the consideration paid for the claim is a 2% Net Smelter Royalty on the gross amount sold, less specific costs, of all or a portion of the ores or concentrate derived from the property.

In April 2012, the Company acquired, at auction from the General Mines Direction of Mexico, a title to the Potreritos molybdenum-copper deposit concessions in Sonora, Mexico. The property is situated approximately 2 km to the north of the Los Verdes property and referred to as the North Deposit. The Company is currently considering strategic alternatives for this project based on current industry/market expectations and a resizing of the planned operation.

9. EQUIPMENT

Cost	Mining Equipment $	Office Equipment $	Leasehold Improvements $	Vehicles $	Total $
Balance at January 1, 2017	808,010	128,612	27,827	60,085	**1,024,534**
Additions (disposals)	(282,525)	12,589	-	17,859	**(252,077)**
Balance at December 31, 2017	525,485	141,201	27,827	77,944	**772,457**
Additions (disposals)	86,943	8,429	-	26,208	**121,580**
Balance at December 31, 2018	612,428	149,630	27,827	104,152	**894,037**
Accumulated depreciation					
Balance at January 1, 2017	17,972	112,200	27,827	55,691	**213,690**
Additions (disposals)	1,690	5,241	-	3,186	**10,117**
Balance at December 31, 2017	19,662	117,441	27,827	58,877	**223,807**
Additions	10,136	8,940	-	8,478	**27,554**
Balance at December 31, 2018	29,798	126,381	27,827	67,355	**251,361**
Carrying amounts					
Balance at December 31, 2017	505,823	23,760	-	19,067	548,650
Balance at December 31, 2018	**582,630**	**23,249**	**-**	**36,797**	**642,676**

During the year ended December 31, 2017, the Company sold grinding / flotation equipment which will not be utilized in the construction of the La Fortuna gold project for $291,504. No gain or loss was recognized on this sale.

10. SECURED SENIOR LOAN

Under the terms of a Loan Agreement dated December 10, 2018, Osisko Gold Royalties Ltd. ("Osisko") has provided the Company with a $2 million (the "Principal Amount") loan. The loan has a maturity date of 18 months from the date of issue and interest is payable on the Principal Amount at a rate per annum that is equal to LIBOR plus 8.5%, compounded monthly. Accrued interest shall be payable at maturity. As at December 31, 2018, the loan balance includes deferred financing fees of $186,500, of which $7,147 were recognized in the current period, and accrued interest of $13,233. At the lender's election, the Principal Amount may be converted into a 1% NSR on the La Fortuna gold project. In addition, at the sole discretion of the lender, the maturity date of the loan could be advanced earlier than 18 months subject to providing 60 days' notice to the Company while the loan is outstanding. The loan is secured by substantially all of the assets of the Company. The Company has also issued 200,000 common share purchase warrants (the "Warrants") to the lender. Each Warrant entitles Osisko to acquire one common share at a price of $0.30 during the term of loan (see note 11(b)iii).

11. SHARE CAPITAL AND OTHER EQUITY

(a) Authorized, issued and outstanding common shares

Authorized - unlimited number of common shares without par value
Issued and outstanding – 300,951,929 at December 31, 2018 and 149,294,208 at December 31, 2017.

(b) Transactions

(i) On May 30, 2017, the Company completed a private placement for gross proceeds of $3,306,750. The Company issued 22,045,000 common shares at a price of $0.15 per share. In connection with the closing of the private placement, the Company paid agent fees consisting of $261,603 in cash and 1,543,150 compensation warrants. Each compensation warrant entitles the holder to purchase one common share of the Company at $0.15 per common share on or before May 30, 2019. The warrants were valued at $154,315 using the Black-Scholes valuation model using the following assumption: expected dividend yield 0%, expected volatility 94%, risk free rate of return 2.0% and an expected life of two years.

(ii) On June 29, 2017, the Company completed a private placement for gross proceeds of $5,400,000. The Company issued 36,000,000 common shares at a price of $0.15 per share. In connection with the closing of the private placement, the Company paid broker fees and expenses of $533,862 in cash and 2,520,000 compensation warrants. Each compensation warrant entitles the holder to purchase one common share of the Company at $0.15 on or before June 29, 2019. The warrants were valued at $277,200 using the Black-Scholes valuation model using the following assumption: expected dividend yield 0%, expected volatility 91% risk free rate of return 2.0% and an expected life of two years.

11. SHARE CAPITAL AND OTHER EQUITY (Continued)

(iii) On April 13, 2018, the Company acquired Corex. Under the terms of the Arrangement, each Corex shareholder received 0.95 common shares of the Company in exchange for each Corex share held. The Arrangement was completed by way of share exchange pursuant to a statutory plan of arrangement resulting in Corex becoming a wholly owned subsidiary of the Company. Pursuant to the transaction, the Company issued 150,470,661 common shares valued at $0.14 to the former shareholders of Corex. In connection with this transaction the Company also issued 22,985,725 warrants valued at $689,886 and issued 6,935,000 share purchase options valued at $798,000 in exchange for the cancelation of Corex warrants and options outstanding. Share issue costs of $615,605 were incurred in connection with this transaction.

(iv) On December 7, 2018, the Company issued 200,000 warrants to a Lender (see Note 10). Each warrant entitles the holder to purchase one common share of the Company at $0.30 on or before June 7, 2020. The warrants were valued at $4,000 using the Black-Scholes valuation model using the following assumption: expected dividend yield 0%, expected volatility 92% risk free rate of return 2.0% and an expected life of 1.5 years.

(v) During the year ended December 31, 2018, 1,187,060 (December 31, 2017, 4,454,960) purchase warrants to acquire common shares at $0.10 and $0.15 per share were exercised.

12. WARRANTS

A summary of warrant activity during the years ended December 31, 2018 and 2017 is as follows:

	December 31, 2018		December 31, 2017	
	Number of Warrants #	Average Exercise Price $	Number of Warrants #	Average Exercise Price $
Outstanding, beginning of year	61,748,083	0.13	62,128,643	0.12
Granted	23,185,725	0.21	4,074,400	0.15
Exercised	(1,187,060)	0.10	(4,454,960)	0.11
Expired	-	-	-	-
Outstanding, end of year	83,746,748	0.15	61,748,083	0.13

12. WARRANTS (Continued)

At December 31, 2018, the following warrants were outstanding and available to be exercised:

Number #	Exercise Price $	Expiration	Fair Value $
892,000	0.10	April 2019	85,632
7,450,000	0.15	April 2019	410,220
4,086,800	0.10	May 2019	196,928
10,660,120	0.15	May 2019	569,090
1,803,500	0.10	May 2019	171,725
1,965,000	0.15	May 2019	102,562
1,543,150	0.15	May 2019	154,315
15,926,750	0.21	May 2019	478,202
27,255,397	0.10	June 2019	1,247,633
320,000	0.10	June 2019	30,720
2,520,000	0.15	June 2019	277,200
7,058,975	0.21	June 2019	211,769
2,065,056	0.10	July 2019	104,026
200,000	0.30	June 2020	4,000
83,746,748	0.15		4,044,022

13. SHARE - BASED PAYMENTS –STOCK OPTION PLAN

The Company has a stock option plan (the "Plan") available to its employees, officers, directors and consultants which has been approved as amended by the shareholders on July 12, 2018. The number of common shares is limited to 10% of the Company's issued and outstanding shares.

The exercise price of options granted in accordance with the plan must not be lower than the closing price for such shares as quoted on the Toronto Stock Exchange ("TSX") on the last business day prior to the date of the grant. The period for exercising an option shall not extend beyond a period of ten years following the date the option is granted. The total number of options held by insiders of the Company must not exceed 10% of the total number of shares issued and outstanding, unless approved by a majority of disinterested shareholders votes cast at a shareholders meeting.

The fair value of each option is accounted for in the consolidated statements of loss and comprehensive loss and the related credit is included in options reserve. Options granted vest immediately and expire five years from the date of issue.

During the year ended December 31, 2018, the Company issued 3,000,000 (2017-5,500,000) options, excluding 6,935,000 options issued to former Corex option-holders and recognized the fair value as a share-based payment expense of $240,000 (2017 - $777,500). The fair value of the options granted was determined using the Black-Scholes pricing model, using the following range of assumptions:

13. SHARE - BASED PAYMENTS – STOCK OPTION PLAN (Continued)

	2018	2017
Exercise price	$0.15	$0.17
Expected life	5 years	5 years
Risk-free interest rate	2.00%	1.65%
Expected volatility	96%	127%
Expected dividend yield	Nil%	Nil%

At December 31, 2018, the following options were outstanding and available to be exercised:

Grant Date	Number	Exercise Price	Expiration	Remaining Years	Grant Date Fair Value
June 18, 2015	2,500,000	$0.11	June 18, 2020	1.47	$0.10
November 2, 2015	3,277,500	$0.05	November 2, 2020	1.84	$0.11
February 3, 2016	142,500	$0.05	February 3, 2021	2.10	$0.11
July 20, 2016	3,200,000	$0.19	July 20,2021	2.55	$0.18
May 19,2017	3,325,000	$0.13	May 19, 2022	3.38	$0.12
June 28, 2017	750,000	$0.17	June 28, 2022	3.49	$0.15
October 26, 2017	190,000	$0.13	October 26,2022	3.82	$0.12
December 7, 2017	4,750,000	$0.17	December 7, 2022	3.94	$0.14
October 24, 2018	3,000,000	$0.15	October 24, 2023	4.82	$0.08
	21,135,000				$0.14

A summary of stock option activity during the years ended December 31, 2018 and 2017 is as follows:

	December 31, 2018		December 31, 2017	
	Number of Stock Options #	Average Exercise Price $	Number of Stock Options #	Average Exercise Price $
Outstanding beginning of year	11,200,000	0.16	7,600,000	0.16
Granted	9,935,000	0.09	5,500,000	0.17
Expired / Forfeited	-	-	(750,000)	0.11
Expired / Forfeited	-	-	(1,150,000)	0.19
Outstanding end of year	21,135,000	0.14	11,200,000	0.16

14. COMMITMENTS AND CONTINGENCIES

Legal Matters

In the normal course of business, the Company may be involved in legal proceedings, claims and assessments. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. Legal fees for such matters are expensed as incurred and the Company accrues for adverse outcomes as they become probable and estimable.

Leases

Minimum payments due under operating leases in respect of office space are set out below:

2019 - $108,920
2020 - $109,103
2021 - $100,848

15. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory tax rate of 26.5% (2017 – 26.5%) to the effective tax rate is as follows:

		2018		2017
Net Income (Loss) before recovery of income taxes	**$**	**(25,619,799)**	**$**	(6,262,333)
Expected income tax (recovery) expense		**(6,789,247)**		(1,659,518)
Tax rate changes and other adjustments		**(22,264)**		-
Tax attributes of acquired entity		**(7,974,643)**		-
Share based compensation		**63,600**		206,038
Exploration and evaluation assets written off		**5,265,878**		-
Non-deductible expenses		**175,430**		131,528
Share issuance cost booked directly to equity		**(209,286)**		-
Prior year true-up		**397,303**		-
Change in tax benefits not recognized		**9,093,229**		1,321,953
Income tax (recovery)	**$**	-	$	-

The Company's income tax (recovery) is allocated as follows:

		2018		2017
Current tax (recovery) expense	**$**	**-**	**$**	-
Deferred tax (recovery) expense		**-**		-
	$	**-**	**$**	-

15. INCOME TAXES (Continued)

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

		2018		2017
Property, plant and equipment and Intangibles	$	**173,572**	$	2,992
Share issuance costs - 20(1)(e)		**1,879,423**		1,550,570
Losses - Canada		**26,038,325**		14,448,048
Losses - Mexico		**13,075,272**		1,919,777
Capital losses carried forward		**23,600**		23,600
Exploration expenditures (Mexico)		**17,789,914**		7,431,039
Minera Gold Stake S.A de C.V. Option		**-**		1,967,304
	$	**58,980,106**	$	27,343,330

The Canadian losses expire as noted in the table below. The Mexican losses expire between 2018 and 2028. The capital loss carry forward may be carried forward indefinitely, but can only be used to reduce capital gains. Share issuance and financing costs will be fully amortized in 2022. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that the future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

2025	$	**334,733**
2026		**863,842**
2027		**2,500,342**
2028		**2,039,592**
2029		**1,790,064**
2030		**1,811,997**
2031		**2,208,492**
2032		**1,839,111**
2033		**1,613,167**
2034		**1,390,226**
2035		**1,084,011**
2036		**2,532,990**
2037		**3,044,840**
2038		**2,984,918**
	$	**26,038,325**

16. FINANCIAL RISK MANAGEMENT

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

(a) Credit risk management

Credit risk is the risk that a client or vendor will be unable to pay or receive any amounts owed or owing to the Company. Management's assessment of the Company's credit risk is low as it is primarily attributable to funds held in Canadian banks, sales tax recoverable from the federal government of Canada and value added tax recoverable from the government of Mexico, where taxes are included in amounts receivable (Note 8).

The Company does not hold any asset backed commercial paper. The maximum credit risk exposure of the financial assets is their carrying value.

(b) Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable of the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interest. The Company intends on fulfilling its obligations.

As of December 31, 2018, the Company had a cash and cash equivalents balance of $1,181,201 and other current assets of $1,415,448 (December 31, 2017 - $3,892,135 and $411,252 respectively) to settle current accounts payable, accrued liabilities of $3,939,898 (December 31, 2017 - $1,422,239).

The following table details the Company's anticipated repayment schedule for its financial liabilities as at December 31, 2018:

	Contractual cash flows	Less than 1 year	1-3 years	4-5 years	After 5 years
Accounts payable	$ 1,560,338	$ 1,560,338	$ -	$ -	$ -
Senior secured loan	2,013,233	-	2,013,233	-	-
Long term loan	790,318	545,680	244,638	-	-
	$ 4,363,889	$ 2,106,018	$ 2,257,871	$ -	$ -

16. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is exposed to these risks as the ability of the Company to develop or market its properties and the future profitability of the Company is related to the market price of certain minerals.

(i) Price risk
The Company is exposed to price risk with respect to commodity prices. Price risk is remote since the Company is not a producing entity.

(ii) Interest rate risk
The Company has cash balances and interest-bearing debt. The Company's current policy is to deposit excess cash in interest bearing accounts at its banking institutions.

Based on management's knowledge and experience of the financial markets, the Company believes that the movements in interest rates that are reasonably possible over the next twelve month period will not have a significant impact on the Company. The fair value of cash and cash equivalents, cash restricted for purchase of mineral property, advances receivable, accounts payable and accrued liabilities approximate carrying value due to the relatively short-term maturities of these instruments.

(iii) Foreign exchange risk

The Company is subject to foreign exchange risk as the Company has certain assets and liabilities, and makes certain expenditures, in Mexican Pesos and US dollars. The Company is therefore subject to gains and losses due to fluctuations in the Mexican Pesos and the US dollar relative to the Canadian dollar. The Company does not hedge its foreign exchange risk.

Sensitivity analysis
Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve-month period.

As at December 31, 2018, the Company has net monetary liabilities denominated in Mexican Pesos of approximately MX$ 8,900,000 (December 31, 2017 –MX $318,000) A 10% change in the value of the Canadian dollar relative to the Mexican Pesos would result in a corresponding change in net income approximately MX $810,000 (December 31, 2017 – MX $32,000) based on the balance of these amounts held in Mexican Pesos as at December 31, 2018.

The Company has cash balances and a senior secured loan bearing interest at LIBOR plus 8.5%. A 10% change in LIBOR would result in a corresponding change in net loss of $5,000. The Company's current policy is to deposit excess cash in interest bearing accounts at its banking institutions.

16. FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair values

Financial assets include cash and cash equivalents, restricted cash, and accounts receivable. Financial liabilities include accounts payable and accrued liabilities, senior secured loan, and long-term loan. The carrying value of cash and cash equivalents, restricted cash, accounts receivable, and accounts payable and accrued liabilities is considered representative of their respective fair values due the to the short-term period to maturity. The carrying value of the senior secured loan and long-term loan approximates their fair value as the interest rates are consistent with the current rates offered for loans with similar terms.

IFRS 13 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follow:

- Level 1 – valuation based on quotes prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability; and
- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data.

Cash and cash equivalents and restricted cash are classified as Level 1.

17. CAPITAL RISK MANAGEMENT

The Company's objectives for managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to add value to its projects, acquire additional potentials for resources and provide returns for shareholders;
- to provide an adequate return to shareholders by increasing the value of underlying assets through exploration and development of economic resources; and
- to generate an adequate return to shareholders by constructing and operating economically viable mineral deposits.

The Company considers its capital structure to consist of capital stock and contributed surplus. 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, development and operation of mineral properties; in relation to the risk it faces; and in consideration of changes in economic conditions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to maintain or adjust the capital structure, the Company may issue new shares, undertake debt, sell its ownership or an interest in its assets or joint venture its projects.

17. CAPITAL RISK MANAGEMENT (Continued)

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. There are no externally imposed capital requirements for the Company.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2018.

18. RELATED PARTY TRANSACTIONS AND BALANCES

Details of transactions between the Company and other related parties are disclosed below.

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

The remuneration of directors and key management of the Company for the years ended December 31, 2018 and 2017 was as follows:

	2018	**2017**
	$	**$**
Aggregate compensation	662,000	1,025,000
Stock-based compensation	-	336,000

Included in accounts payable and accrued liabilities at December 31, 2018, payable to key management of the Company was $567,926 in relation to outstanding compensation (December 31, 2017 - $344,000).

Included in accounts receivable as at December 31, 2018, is an amount of $56,133 (2017 – Nil) due from key management of the Company.

19. SUBSEQUENT EVENTS

(i) On March 4, 2019, the Company closed a non-brokered private placement offering of 49,947,500 common shares of the Company at a price of $0.10 per Common Share for aggregate gross proceeds of $4,994,750. In connection with the Offering, the Company paid cash finder's fees of $280,200 and issued 2,898,000 finder's warrants (the "Finder's Warrants"). Each Finder's Warrants is exercisable into one Common Share at $0.10 for a period of two years following the closing of the Offering. The Finders Warrants were valued at $173,880 using the Black-Scholes valuation model using the following assumption: expected dividend yield 0%, expected volatility 93%, risk free rate of return 2.0% and an expected life of two years. All securities issued under the Offering are subject to a four month hold period from the closing date under applicable Canadian securities laws.

(ii) On April 22, 2019 the Company entered into a binding letter agreement with ePower Metals Inc. ("ePower") (the "LOI") that outlines the terms and conditions upon which the Company will assign its option rights to acquire the Guadalupe de los Reyes gold property ("Los Reyes") in exchange for approximately 19.8% of the outstanding ePower common shares (the "ePower Shares") and certain other rights related to the development of Los Reyes (the "Transaction").

Following the completion of the Transaction, Minera Alamos is projected to own 19.8% of the outstanding common shares of ePower (the "ePower Shares"). In addition, the Company will maintain the following rights:

- Should ePower fail to complete any of the remaining Los Reyes option payments all rights to acquire Los Reyes will revert to the Company.
- The Company Alamos will have the right to appoint one director to the board of directors of ePower for so long as Minera Alamos holds at least 5% of the outstanding ePower Shares; and
- The Company will be entitled to a right of first refusal in the event ePower should at any time seek to raise financing to develop Los Reyes by way of the sale or grant of a royalty or stream.

To acquire Minera Alamos' interest in Los Reyes, the following conditions must be satisfied by ePower:

- Make a cash payment of US$1,500,000 to the Company for the cost of the option payment the Company made to Vista on April 23, 2019.
- Assume the Company' remaining option payments of US$3,000,000 in favour of Vista, as follows: - US$1,500,000 due October 27th, 2019; and US$1,500,000 on the earlier of October 27th, 2021 or a production decision. Issue to the Company 9,450,000 post-Consolidation (as defined below) ePower Shares and 3,350,000 common share purchase warrants entitling the Company to acquire further post-Consolidation ePower Shares at a price $0.50 per share for a period of twenty-four months.
- Enter into a governance agreement, providing for, among other things, Minera Alamos receiving the right to appoint one director to the board of ePower for so long as the Company holds at least 5% of ePower's outstanding common shares and the Company receiving the right to participate in future financings.

19. SUBSEQUENT EVENTS (Continued)

Completion of the Transaction is subject to a number of conditions, which include: ePower consolidating its common share capital on a two-for-one basis (the "Consolidation"); ePower completing a financing of at least CDN$6,000,000; The completion of satisfactory due diligence, and the negotiation of a definitive agreement in respect of the Transaction; Vista having approved the Transaction and the assignment of rights to ePower; and Receipt of any required regulatory approvals, including the approval of the TSX Venture Exchange (the "Exchange"). The Transaction cannot be completed until these conditions have been satisfied, and there can be no assurance that the Transaction will be completed in a timely fashion, or at all. In the event the Transaction is not completed for any reason other than (i) the Company not receiving consent from Vista Gold; or (ii) the Company refusing to enter into a definitive agreement, the Deposit will be released to Minera Alamos and form the basis of a private placement with the Lenders.