SIERRA GROWTH CORP.
(formerly Grenville Gold Corp.)

Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Sierra Growth Corp. (formerly Grenville Gold Corp.)

Opinion

We have audited the consolidated financial statements of Sierra Growth Corp. (formerly Grenville Gold Corp.) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as "the financial statements").

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

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 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 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 describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about 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 Management's Discussion and Analysis. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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 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 Matthew Gosden.

/s/ DMCL LLP

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
April 26, 2019

SIERRA GROWTH CORP.
(formerly Grenville Gold Corp.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Note		December 31, 2018		December 31, 2017
ASSETS					
Current assets					
Cash		$	1,078,371	$	441,556
Receivables			4,747		1,994
			1,083,118		443,550
Non-current assets					
Property, plant and equipment			2,162		-
Exploration and evaluation assets	4		1,496,430		1,499,465
		$	**2,581,170**	**$**	**1,943,015**
LIABILITIES					
Current liabilities					
Trade payables and accrued liabilities	5,10	$	151,283	$	141,590
Advance payable	6		100,000		-
Loan payable	8		-		157,644
TOTAL LIABILITIES			251,283		299,234
SHAREHOLDERS' EQUITY					
Share Capital	9		11,319,732		10,191,065
Reserves	9		4,327,153		4,327,153
Deficit			(13,316,458)		(12,874,437)
			2,330,427		1,643,781
		$	**2,581,710**	**$**	**1,943,015**

Nature and Continuance of Operations 1

On behalf of the Board of Directors

" Sonny Janda"	*" Shaun Dykes"*
Sonny Janda, Director	Shaun Dykes, Director

SIERRA GROWTH CORP.
(formerly Grenville Gold Corp.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Note		Year Ended December 31, 2018		2017
Operating expenses					
Amortization		$	1,081	$	-
Filing and transfer fees			26,106		13,805
Foreign exchange			23,062		(2,442)
Impairment of exploration and evaluation assets	4		135,236		-
Management and consulting	10		131,476		19,849
Office and general			16,282		26,153
Professional fees			73,479		47,065
Project investigation costs			11,156		21,834
Rent			7,500		7,500
			425,378		133,764
Other Items					
Accretion	7		9,096		-
Loss on early settlement of convertible debt			17,071		-
Other income			(9,524)		-
Gain on write-off of accounts payable			-		(31,884)
			16,643		(31,884)
Net loss and comprehensive loss		**$**	**442,021**	**$**	**101,880**
Basic and diluted comprehensive loss per share		**$**	**(0.01)**	**$**	**(0.00)**
Weighted average number of shares outstanding - Basic and diluted			**30,349,873**		**24,042,080**

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

SIERRA GROWTH CORP.
(formerly Grenville Gold Corp.)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Number of Shares	Amount	Reserves			Deficit	Total
			Options	Equity portion of convertible debt	Warrants		
Balance, December 31, 2016	**23,020,984**	**$ 9,681,065**	**$ 2,872,403**	**$ -**	**$ 1,454,750**	**$ (12,772,557)**	**$ 1,235,661**
Shares issued for the exercise of warrants	6,000,000	510,000	-	-	-	-	510,000
Net loss for the year	-	-	-	-		(101,880)	(101,880)
Balance, December 31, 2017	**29,020,984**	**10,191,065**	**2,872,403**	**-**	**1,454,750**	**(12,874,437)**	**1,643,781**
Shares issued for cash	10,025,000	1,002,500	-	-	-	-	1,002,500
Equity portion of a convertible debenture	-	-	-	30,435	-	-	30,435
Settlement of convertible debenture with cash				(6,087)			(6,087)
Shares issued on the conversion of a debenture	1,111,111	126,127	-	(24,348)	-	-	101,819
Net loss for the year	-	-	-	-	-	(442,021)	(442,021)
Balance, December 31, 2018	**40,157,095**	$ **11,319,732**	$ **2,872,403**	$ **-**	$ **1,454,750**	$ **(13,316,458)**	**$ 2,330,427**

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

SIERRA GROWTH CORP.
(formerly Grenville Gold Corp.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Year Ended December 31, 2018	Year Ended December 31, 2017
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss for the year	$ (442,021)	$ (101,880)
Items not involving cash:		
Impairment of exploration and evaluation assets	135,236	-
Loss on early settlement of convertible debt	17,071	-
Amortization	1,081	-
Accretion	9,096	-
Accrued interest	-	7,644
Changes in non-cash working capital:		
Receivables	(2,753)	(1,246)
Prepaid expenses	-	1,542
Accounts payable and accrued liabilities	9,693	6,522
Related parties	-	(6,426)
Net cash used in operating activities	(272,597)	(93,844)
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of equipment	(3,243)	-
Exploration and evaluation assets	(132,201)	(126,263)
Net cash used in investing activities	(135,444)	(126,263)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings	-	150,000
Proceeds from the issuance of convertible debenture	500,000	-
Repayment of convertible debenture	(400,000)	-
Repayment of loan	(157,644)	-
Proceeds from the issuance of common shares	1,002,500	510,000
Advance payable	100,000	-
Net cash provided by financing activities	1,044,856	660,000
Change in cash	636,815	439,893
Cash, beginning of the year	441,556	1,663
Cash, end of the year	$ 1,078,371	$ 441,556

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Grenville Gold Corp. (the “Company”) was incorporated under the laws of the province of Ontario by articles of incorporation effective November 17, 1994. On June 19, 2009, the Company completed a continuance of business from Ontario to British Columbia. Prior to October 16, 2018, the Company was listed on the TSX Venture Exchange (“TSX-V”) under the symbol “GVG”, the Company has since delisted from the TSX-V and is now listed on the Canadian Securities Exchange (“CSE”) under the symbol “GVG” as well as on the Berlin and Frankfurt stock exchanges in Germany under the symbol “F91Q”, and a pink sheet listing (“OTCPP”) in the United States under the symbol “GVLGF”.

The head office, principal address and records office of the Company are 4770 – 72nd Street, Delta, British Columbia, Canada, V4K 3N3.

These consolidated financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at December 31, 2018, the Company had not advanced its mining property to commercial production and is not able to finance day-to-day activities through operations. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and/or private placement of common shares. Should the Company be unable to continue as going concern, the net realizable value of its assets may be materially less than the amounts on its consolidated statement of financial position.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 26, 2019.

2. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of Measurement

The consolidated financial statements of the Company have been prepared on an historical cost basis. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (Continued)

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its controlled entities. Control exists when the Company has power over an investee, exposure or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Company's returns.

Details of controlled entities are as follows:

		Percentage Owned	
	Country of Incorporation	December 31, 2018	December 31, 2017
Grenville Silveria Ltd.	Canada	100%	100%
Grenville Espanola Holdings Ltd.	Canada	100%	100%
Minera Grenville S.A.C.	Peru	100%	100%
Minera Espanola S.A.C.	Peru	100%	100%
Upper Canyon Minerals Peru S.A.C.	Peru	100%	100%
Inversiones Mineras Alexander S.A.C.	Peru	100%	100%

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation

Significant Accounting Judgments and Assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised in any future periods affected.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments, and the recoverability and measurement of deferred tax assets.

2. BASIS OF PRESENTATION (Continued)

Significant Judgments

The preparation of these financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's condensed consolidated interim financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification of financial instruments; and
- the determination of the functional currency of the parent company and its subsidiaries.

Functional Currency

The functional currency of each entity is measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currency of the Company's subsidiaries is the Canadian dollar.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign Currency Translation

Foreign currency translations are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate of the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values are determined.

Exchange differences arising on the translation of the monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exploration and Evaluation Assets

Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred. Exploration and evaluation expenditures including the costs of acquiring licenses and costs associated with exploration and evaluation activities are capitalized by property. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option. Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exploration and Evaluation Assets (Continued)

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceeds, the carrying amount of the exploration and evaluation asset is unlikely to recovered in full from successful development or by sale.

After technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the Company stops capitalizing expenditures for the applicable block of claims or geological area of interest and test that asset for impairment. The capitalized balance, net of any impairment recognized, is then reclassified to either tangible or intangible mine development assets according to the nature of the asset.

Impairment of Non-Financial Assets

The carrying amount of the Company's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of an asset is the greater of its asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to its present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an individual asset that does not generate cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates and used to determine the recoverable amount; however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized for the asset in previous years. Assets that have an indefinite life are not subject to amortization and are tested annually for impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restoration and Environmental Obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred.

Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company currently has no measureable restoration and environmental obligations.

Share-Based Payments

The Company operates a stock option plan. Share-based payments to employees are measured at the fair value of the stock options granted and recognized over the vesting periods. Share-based payments to non-employees are measured at fair value of goods or services received or the fair value of the equity instruments issued, if it is determined using the Black-Scholes option pricing model, taking into account the terms and conditions upon which stock options are granted. At each reporting date, the amount recognized as expense is adjusted to reflect the actual number of stock options that are expected to vest.

Loss per Share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding during the reporting period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all options and warrants outstanding that may add to the total number of common shares. As at December 31, 2018, the Company's diluted loss per share was the same as the basic loss per share as the Company did not have any outstanding options and warrants.

Financial Instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (continued)

The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost.

The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. 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 as at FVTOCI.

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. The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018.

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	**Original classification IAS 39**	**New classification IFRS 9**
Cash	FVTPL	FVTPL
Receivables	Amortized cost	Amortized cost
Accounts payable	Amortized cost	Amortized cost
Advance payable	N/A in prior year	Amortized cost

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

(ii) Measurement

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

(iv) Derecognition (continued)

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gain and losses on derecognition are general recognized in profit or loss.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from and paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive loss or equity is recognized in other comprehensive loss or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax

Deferred tax is recorded by providing for temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes related to the same taxable entity and the same taxation authority.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Standard effective January 1, 2018

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 provides a single, principle based five-step model to be applied to all contracts with customers. The five steps in the model are as follows: i. Identify the contract with the customer; ii. Identify the performanc4e obligations in the contract; iii. Determine the transaction price; iv. Allocate the transaction price to the performance obligations in the contracts; v. Recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for various consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenues are also introduced. The adoption of this standard on January 1, 2018 did not have a significant impact on the Company's consolidated financial statements.

Accounting Standard Issued but Not Yet in Effect

IFRS 16 – Leases

IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all eases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases. IFRS 16 is effective for years beginning after January 1, 2019. The Company does not anticipate the adoption of this standard to have a significant impact on the Company's consolidated financial statements.

4. EXPLORATION AND EVALUATION ASSETS

		Espanola		Silver Mountain		Total
Balance, December 31, 2016	$	1,266,826	$	106,376	$	1,373,202
Acquisition		94,298		28,860		123,158
Exploration costs		3,105		-		3,105
Balance, December 31, 2017		1,364,229		135,236		1,499,465
Acquisition		132,201		-		132,201
Impairment charge		-		(135,236)		(135,236)
Balance, December 31, 2018	**$**	**1,496,430**	**$**	**-**	**$**	**1,496,230**

(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS (continued)

Espanola Property

The Company owns 100% of the Espanola property which consists of 17 claims in the San Mateo Mining District in the province of Canete, Peru. During the year ended December 31, 2018, the Company capitalized its annual renewal fees of $132,201 (2017: $94,298).

Silver Mountain Property

The Company owns 100% interests in the Josephina and Silver Mountain concessions which consist of 6 claims located in the Huarochiri province of Lima, Peru. In June 2018, the Company decided not to renew its interests in these properties and allowed the claims to lapse. Management recorded an impairment charge of $135,236 for the year ended December 31, 2018.

5. TRADE PAYABLES AND ACCRUED LIABILITIES

		December 31, 2018		December 31, 2017
Accounts payable	$	136,788	$	139,595
Accrued liabilities		14,495		1,995
	$	151,283	$	141,590

6. ADVANCE PAYABLE

In connection with the Company's issuance of 10,000,000 shares in a private placement (Note 8), one of the subscribers paid $100,000 in excess of the agreed issuance. The Company recorded this balance as an advance as at December 31, 2018 with the amount refunded subsequent to December 31, 2018 without any terms of interest.

7. CONVERTIBLE DEBENTURE PAYABLE

During the year ended December 31, 2018, the Company issued a convertible debenture to an unrelated party for a principal amount of $500,000. This debentures was convertible into common shares of the Company at a conversion price of $0.09 per share at the option of the holder. This convertible debenture was unsecured, was due to mature one year from issuance and bore interest of 8% per annum.

The Company estimated the market interest rate for a similar debt instrument without a conversion feature to be 15% and recorded the debenture at its fair value of $469,565. The resulting discount attributable to the equity conversion feature of the instrument in the amount of $30,435 was recorded in equity reserves at the inception of the debenture. The Company recorded accretion expense of $9,096 during the year ended December 31, 2018.

(Expressed in Canadian dollars)

7. CONVERTIBLE DEBENTURE PAYABLE

In December 2018, the Company repaid $410,083 to the holder which included $400,000 in principal and $10,083 in accrued interest and incurred a loss on the early settlement of $17,071. The holder opted to convert the remaining principal balance of $100,000 into 1,111,111 common shares of the Company.

8. SHORT-TERM LOAN

On June 28, 2017, the Company entered into a loan agreement to borrow $150,000 at an interest rate of 10% per annum. This loan was repayable on demand. During the year ended December 31, 2018, the Company repaid the loan in full, including $7,800 in accrued interest.

9. SHARE CAPITAL

Authorized share capital:	An unlimited number of common shares without par value
	An unlimited number of preferred shares without par value

During the year ended December 31, 2017, the 6,000,000 warrants issued in a 2016 private placement were exercised for gross proceeds of $510,000.

In November 2018, the Company closed a private placement financing consisting of 10,000,000 units at a price of $0.10 per unit for proceeds of $1,000,000. Each unit consists of one common share and one common share purchase warrant, which entitles the holder to purchase one additional common share of the Company at a price of $0.10 per share for a period of six months after issuance, subject to a 30-day accelerated expiry upon announcement by the Company that its shares have traded at $0.50 or more for ten consecutive trading days.

In December 2018, 25,000 warrants issued in the November 2018 private placement were exercised for gross proceeds of $2,500.

Also in December 2018, the holder of the Company's convertible debenture opted to convert $100,000 into 1,111,111 common shares of the Company at the contractual price of $0.09 per share.

Stock Options

The Company has a stock option plan whereby a maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of options. The term of the stock options granted is fixed by the Board of Directors and is not to exceed five years. The exercise prices of the stock options granted may not be less than the minimum then specified by the rules of the CSE. Vesting periods are determined by the Board. As at December 31, 2018 and December 31, 2017, there were no outstanding options.

(Expressed in Canadian dollars)

9. SHARE CAPITAL (Continued)

Warrants

Warrant transactions as at December 31, 2018 and 2017 are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price	
Warrants outstanding at December 31, 2016	6,000,000	$	0.085
Warrants exercised	(6,000,000)		0.085
Warrants outstanding at December 31, 2017	-	$	-
Warrants issued	10,000,000		0.10
Warrants exercised	(25,000)		0.10
Warrants outstanding at December 31, 2018	9,975,000	$	0.10

At December 31, 2018, the outstanding warrants were as follows:

Number of Warrants	Exercise Price		Expiry Date
9,975,000	$	0.10	May 14, 2019

The weighted average life remaining of these warrants outstanding as at December 31, 2018 was 0.37 years.

Stock Option Reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

Warrant Reserve

The warrant reserve records the fair value of warrants issued until such time that they are exercised, at which time the corresponding amount will be transferred to share capital.

Equity Portion of Convertible Debt Reserve

The equity component of convertible debt reserve records the fair value of conversion option of convertible debentures.

10. RELATED PARTY TRANSACTIONS

The Company considers key management to be directors or senior officers of the Company. Transactions with related parties for goods and services are made in normal commercial terms.

During the year ended December 31, 2018, the Company paid consulting fees of $30,000 (December 31, 2017 - $nil) to a company owned by the CEO.

As at December 31, 2018, $31,598 (December 31, 2017 - $nil) is included in trade payables and accrued liabilities from amounts owing to related parties.

11. SEGMENTED INFORMATION

The Company has just one operating segment, the exploration and evaluation of mineral properties. All of the Company's equipment and exploration and evaluation assets are located in Peru.

12. FINANCIAL RISK AND CAPITAL MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits and controlling and reporting structures.

The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is its cash held in bank accounts. Cash is deposited in bank accounts held with major banks in Canada and Peru. As most of the Company's cash is held by two banks, there is a concentration of credit risk. However, this risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient holdings of cash and cash equivalents to meet its short-term exploration and evaluation requirements and anticipated operating cash flows.

Historically the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

12. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

Foreign Exchange Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's Peruvian subsidiaries are exposed to currency risk as they incur expenditures that are denominated in US dollars and the Peruvian Soles, and their functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates. A 10% fluctuation in the US dollar and Peruvian Sole would not have a material impact on the results of the Company.

Interest Rate Risk

Interest rate risk refers to the risk that fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company does not have material financial assets or liabilities that are exposed to fluctuation of interest rate. As a result, the exposure to interest rate risk is not significant.

Capital Management

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 exploration and evaluation assets. In the management of capital, the Company includes components of shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has an interest in are in the exploration stage; as such, the Company is dependent on external financing to fund activities. To carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. 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. The Company is not subject to externally imposed capital requirements. There were no changes to the Company's approach to capital management during the year.

Financial instruments

The fair value of the Company's assets and liabilities approximate the carrying amount.

The Company's financial instruments consist of cash, marketable securities, amounts receivable, accounts payable and advance payable. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

(Expressed in Canadian dollars)

12. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

Financial instruments (continued)

The following summarizes fair value hierarchy under which the Company's financial instruments are valued:

Level 1 – fair values based on unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – fair values based on inputs that are observable for the asset or liability, either directly or indirectly; and
Level 3 – fair values based on inputs for the asset or liability that are not based on observable market data.

No transfers occurred between the levels during the year. The Company's financial instruments are exposed to credit risk, liquidity risk, and market risks, which include currency risk and interest rate risk.

13. INCOME TAXES

A reconciliation of income taxes for the years ended December 31, 2018 and 2017 at statutory rates is as follows:

		December 31, 2018		December 31, 2017
Net loss for the year	$	(442,021)	$	(101,880)
Enacted statutory tax rate		27 %		26%
Expected income tax recovery		(119,000)		(28,000)
Permanent differences and other		55,000		21,000
Impact of change in future enacted rates		(107,000)		-
Effect of difference in statutory rate applicable to foreign subsidiaries		(4,000)		-
Effect of adjustment to prior year tax provision		442,000		(20,000)
Change in unrecognized deferred tax assets		(267,000)		27,000
	$	-	$	-

(Expressed in Canadian dollars)

13. INCOME TAXES (continued)

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

		December 31, 2018		December 31, 2017
Deferred Tax Assets				
Non-capital losses	$	2,463,000	$	2,293,000
Share issue costs		5,000		10,000
Equipment		32,000		30,000
Exploration and evaluation assets		187,000		180,000
		2,687,000		2,513,000
Deferred Tax Liabilities				
Exploration and evaluation assets - Peru		(441,000)		-
		2,246,000		2,513,000
Unrecognized deferred tax assets		(2,246,000)		(2,513,000)
	$	**-**	**$**	**-**

As at December 31, 2018, the Company had non-capital losses of approximately $ 6,213,000 which expire from 2028 to 2038 available to carry forward to offset future taxable income. The Company had losses in Peru of approximately $2,669,000 to carry forward to offset future taxable income indefinitely.