Condensed Consolidated Interim Financial Statements
(Unaudited)
(Stated in Canadian Dollars)

MEXICAN GOLD CORP

(An Exploration Stage Company)

For the three and six months ended December 31, 2018

NOTICE TO SHAREHOLDERS

FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2018

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed consolidated interim financial statements of Source Exploration Corp. (A Development Stage Company) were prepared by management in accordance with International Financial Reporting Standards ('IFRS"). Only changes in accounting policies have been disclosed in these unaudited condensed consolidated interim financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited condensed consolidated interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Corporation's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited condensed consolidated interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed consolidated interim financial statements and (ii) the unaudited condensed consolidated interim financial statements fairly present in all material respects the financial position, results of operations and cash flows of the Corporation, as of the date of and for the periods presented by the unaudited condensed consolidated interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed consolidated interim financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed consolidated interim financial statements together with other financial information of the Corporation. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed consolidated interim financial statements together with other financial information of the Corporation for issuance to the shareholders.

Management recognizes its responsibility for conducting the Corporation's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

(Stated in Canadian Dollars)
(Unaudited)

As at	December 31 2018 $	June 30 2018 $
ASSETS		
Current assets		
Cash and cash equivalents	**133,146**	185,658
Temporary investments	**25,000**	25,000
Accounts receivable	**339,074**	166,647
Prepaids and deposits	**395,867**	426,179
Total current assets	**893,087**	803,484
Total Assets	**893,087**	803,484
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**335,852**	158,305
Total current liabilities	**335,852**	158,305
EQUITY		
Share capital *[note 6]*	**26,556,928**	24,590,926
Equity settled employee benefits *[note 6]*	**3,581,813**	3,411,766
Foreign currency translation	**35,233**	(33,100)
Deficit	**(29,616,739)**	(27,324,413)
Total equity	**557,235**	645,179
Total equity and liabilitiesand equity	**893,087**	**803,484**

Nature of Business and Going Concern [note 1]

See accompanying notes to the condensed consolidated interim financial statements

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on February 21, 2019.

They are signed on the Corporation's behalf by:

"Brian Robertson"
Director

"Ali Zamani"
Director

(Incorporated under the laws of Ontario)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

(Stated in Canadian Dollars)
(Unaudited)

	For the three months ended December 31		For the six months ended December 31	
	2018	2017	**2018**	2017
	$	$	$	$
EXPENSES				
Share-based payments	**75,962**	181,746	**170,047**	360,569
General and administrative	**472,728**	431,744	**726,223**	655,977
Professional fees	**6,050**	4,784	**6,050**	22,858
Exploration expenses	**1,291,570**	448,649	**1,390,006**	624,236
Recovery of Value Added Tax	**-**	(101,067)	**-**	(101,067)
	1,846,310	965,856	**2,292,326**	1,562,573
Loss from operating activities	**(1,846,310)**	(965,856)	**(2,292,326)**	(1,562,573)
Exchange differences on translation of foreign operations	**63,837**	(94,545)	**68,333**	(94,545)
Total comprehensive loss for period	**(1,782,473)**	(1,060,401)	**(2,223,993)**	(1,657,118)
Basic and diluted loss per share	**(0.02)**	(0.03)	**(0.04)**	(0.05)

See accompanying notes to the condensed consolidated interim financial statements

(Incorporated under the laws of Ontario)

CONDENSED INTERIM STATEMENT OF CASH FLOW
DECEMBER 31

(Stated in Canadian Dollars)
(Unaudited)

	2018	2017
	$	$
		Note 12
OPERATING ACTIVITIES		
Loss for the period	**(2,292,326)**	(1,657,118)
Add charges to earnings not involving a current payment of cash		
Share-based payments	**170,047**	360,569
Shares issued as compensation	**-**	20,000
	(2,122,279)	(1,276,549)
Changes in non-cash working capital balances related to operations		
Accounts receivable	**(172,427)**	112,504
Prepaids and deposits	**30,312**	185,004
Accounts payable and accrued liabilities	**177,547**	53,545
Cash used in operating activities	**(2,086,847)**	(925,496)
FINANCING ACTIVITIES		
Shares issued in private placements	**2,063,000**	-
Proceeds from the exercise of share purchase warrants	**-**	923,500
Share issue costs	**(96,998)**	-
Cash provided by financing activities	**1,966,002**	923,500
Decrease in cash and cash equivalents during period	**(120,845)**	(1,996)
Cash and cash equivalents, beginning of period	**185,658**	834,057
Effect of exchange rate on cash held	**68,333**	(94,545)
Cash and cash equivalents, end of period	**133,146**	737,516

See accompanying notes to the condensed consolidated interim financial statements

MEXICAN GOLD CORP

(Incorporated under the laws of Ontario)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Stated in Canadian Dollars)
(Unaudited)

	Share Capital				Reserves			
Issued and outstanding:	Number of Shares	Share Capital	Shares subscribed	Warrants	Equity Settled Employee Benefits	Foreign currency translation	Deficit	Total Equity
Balance as at June 30, 2017	34,175,229	22,328,103	-	166,960	2,591,608	1,462	(23,829,503)	1,258,630
Exercise of warrants	3,766,000	959,500	-	(36,000)	-	-	-	923,500
Shares issued as compensation	78,431	20,000	-	-	-	-	-	20,000
Share-based payments	-	-	-	-	360,569	-	-	360,569
Comprehensive income (loss) for the period	-	-	-	-	-	(96,007)	(1,562,573)	(1,658,580)
Balance as at December 31, 2017	38,019,660	23,307,603	-	130,960	2,952,177	(94,545)	(25,392,076)	904,119
Private placement #1	3,489,833	1,046,950	-	-	-	-	-	1,046,950
Exercise of warrants	1,117,265	271,316	-	36,000	-	-	-	307,316
Share issue costs	-	(34,943)	-	-	-	-	-	(34,943)
Share-based payments	-	-	-	-	292,629	-	-	292,629
Comprehensive loss for the period	-	-	-	-	-	61,445	(1,932,337)	(1,870,892)
Balance as at June 30, 2018	42,626,758	24,590,926	-	166,960	3,244,806	(33,100)	(27,324,413)	645,179
Private placement	10,315,000	2,063,000	-	-	-	-	-	2,063,000
Share-based payments	-	-	-	-	170,047	-	-	170,047
Share issue costs	-	(96,998)	-	-	-	-	-	(96,998)
Comprehensive loss for the period	-	-	-	-	-	68,333	(2,292,326)	(2,223,993)
Balance as at December 31, 2018	**52,941,758**	**26,556,928**	**-**	**166,960**	**3,414,853**	**35,233**	**(29,616,739)**	**557,235**

See accompanying notes to the condensed consolidated interim financial statements

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

For the three and six months ended December 31, 2018
(with comparative figures for the three and six months ended December 31, 2017)

1. NATURE OF BUSINESS

Mexican Gold Corp. (formerly Source Exploration Corp.) (the "Corporation") was incorporated under the Business Corporation's Act (Alberta) on October 5, 2006, and is engaged in the acquisition, exploration, and evaluation of mineral properties. On January 17, 2011 the Corporation received all necessary approvals to continue into the jurisdiction of Ontario.

The Corporation is in the process of exploring and evaluating its mineral properties and, on the basis of the information to date, has not yet determined whether any of the properties contain economically recoverable reserves. The recovery of expenditures on the mineral properties is dependent upon the existence of economically recoverable mineralization, the Corporation securing and maintaining title and beneficial interest in the properties, and the ability of the Corporation to obtain the necessary financing to complete the exploration and development and future profitable production or, alternatively, on the sufficiency of proceeds from disposition.

Going concern

At December 31, 2018 the Corporation had not yet achieved profitable production, had accumulated losses of $29,616,739, had a current working capital balance of $557,235 and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Corporation's ability to continue as a going concern. The Corporation will require additional financing in order to complete its planned work programs on its mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they become due. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Corporation be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

The Corporation's ability to continue as a going concern is dependent upon its ability to fund its exploration and evaluation programs. Management plans to secure the necessary financing through the issue of new equity. Nevertheless, there is no assurance that these initiatives will be successful.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These unaudited consolidated financial statements have been prepared in accordance with IAS 34 - *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the IASB have been condensed or omitted and these unaudited consolidated financial statements should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended June 30, 2018.

The accounting policies applied in the preparation of these unaudited consolidated financial statements are consistent with those applied and disclosed in the Corporation's consolidated financial statements for the year ended June 30, 2018, with the exception of certain amendments to accounting standards issued by the IASB, which were effective January 1, 2014. These amendments did not have a significant impact on the Corporation's audited consolidated financial statements.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Corporation's assets and liabilities are accounted for prospectively. The critical judgements and estimates applied in the preparation of the Corporation's unaudited consolidated financial statements are consistent with those applied and disclosed in note 2 to the Corporation's consolidated financial statements for the year ended June 30, 2018.

The unaudited consolidated financial statements of the Corporation for the period ended December 31, 2018 were approved and authorized by the Board of Directors on February 21, 2019.

Statement of Compliance

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

3. RECENT ACCOUNTING PRONOUNCEMENTS

The accounting policies adopted in the preparation of these consolidated financial statements have been prepared on the basis of all IFRS and interpretations effective as at December 31, 2018.

The following standards were applied for the periods beginning on or after January 1, 2017 and had no material effect on the Corporation's financial statements:

Accounting Standards issued and effective January 1, 2017

→ Amendments to IAS 7 - Statement of Cash Flows require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments apply prospectively for annual periods beginning on or after January 1, 2017, with earlier application permitted. The Corporation intends to adopt the amendments to IAS 7 in its financial statements for the annual period beginning January 1, 2017.

→ Amendments to IAS 12 - Deferred Tax Assets for Unrealized Losses apply retrospectively for periods beginning on or after January 1, 2017 and earlier application is permitted. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of carrying amount of an assets and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount. The Corporation intends to adopt the amendments to IAS 7 in its financial statements for the annual period beginning January 1, 2017.

The additional required disclosures of applying the above standard were incorporated in the notes to these financial statements.

The Corporation has not applied the following revised or new IFRS that have been issued but were not yet effective at December 31, 2018.

Accounting standards issued and effective January 1, 2018

The Corporation has assessed the following changes to accounting standards and determined that there will be no material impact on the financial statements:

→ IFRS 15, Revenue from Contracts with Customers establishes an single model in accounting for revenue arising from contracts with customers. This will supercede current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations

(Stated in Canadian Dollars)

→ IFRS 9, Financial Instruments introduces new requirements for the classification and measurement of financial assets and liabilities.

Accounting standards issued and effective January 1, 2019

The Corporation is currently assessing the impact that the following changes to accounting standards will have on the financial statements:

→ IFRS 16, Leases introduces new requirements for the classification and measurement of leases.

4. SEGMENTED INFORMATION

The Corporation currently operates in one operating segment, the exploration of mineral properties in Mexico. Management of the Corporation makes decisions about allocating resources based on the one operating segment. A geographic summary of identifiable assets, liabilities, and operating activities by country is as follows:

For the six month period ended December 31, 2018

	Canada $	Mexico $	Total $
Segmented Assets	**484,515**	**383,573**	**868,088**
Segmented Liabilities	**(275,405)**	**(60,447)**	**(335,852)**
Operating activities			
Depreciation	-	-	**-**
Exploration expenses	36,206	1,353,800	**1,390,006**
General and administrative	725,215	1,006	**726,221**
Professional fees	6,050	-	**6,050**
Share-based payments	170,048	-	**170,048**
Interest income			
Interest income			
Total	**937,519**	**1,354,806**	**2,292,325**

For the three month period ended December 31, 2018

	Canada $	Mexico $	Total $
Operating activities			
Exploration expenses	12,472	1,279,098	**1,291,570**
General and administrative	471,718	1,009	**472,727**
Professional fees	-	-	**-**
Share-based payments	75,962	-	**75,962**
Total	**560,152**	**1,280,107**	**1,840,259**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

For the three and six months ended December 31, 2018
(with comparative figures for the three and six months ended December 31, 2017)

For the six month period ended December 31, 2017

	Canada $	Mexico $	Total $
Segmented Assets	1,064,623	29,684	1,094,307
Segmented Liabilities	(174,646)	(15,540)	(190,186)
Operating activities			
Exploration expenses	133,086	491,150	624,236
General and administrative	586,022	69,955	655,977
Professional fees	22,858	-	22,858
Share-based payments	360,569	-	360,569
Total	1,102,535	460,038	1,562,573

For the three month period ended December 31, 2017

	Canada $	Mexico $	Total $
Operating activities			
Exploration expenses	73,221	375,428	**448,649**
General and administrative	433,337	(1,593)	**431,744**
Professional fees	4,784	-	**4,784**
Share-based payments	181,746	-	**181,746**
Total	**693,088**	**373,835**	**1,066,923**

(Stated in Canadian Dollars)

5. EXPLORATION AND EVALUATION

Accumulated costs with respect to the Corporation's interest in mineral properties owned, leased or under option, consisted of the following:

	For the six months ended December 31, 2018		Six months ended	Inception
	Las Minas and La Miqueta	**Current period total**	December 31, 2017	**to date total**
	$	$	$	$
Analytical	**-**	**-**	-	**376,149**
Geological and consulting	**117,068**	**117,068**	212,181	**3,959,824**
Transportation and Accommodation	**12,545**	**12,545**	23,920	**177,174**
Drilling	**59,083**	**59,083**	292,806	**6,392,104**
Geophysical	**-**	**-**	22,819	**97,498**
Operational support	**12,845**	**12,845**	43,285	**422,235**
Others	**-**	**-**	1,067	**402,026**
Subtotal	**201,541**	**201,541**	596,078	**11,827,010**
Acquisition costs / Option payments	**1,188,465**	**1,188,465**	28,158	**2,004,688**
Total expenditures	**1,390,006**	**1,390,006**	624,236	**13,831,698**

	For the three months ended December 31, 2018		Three months ended
	Las Minas and La Miqueta	**Current period total**	December 31, 2017
	$	$	$
Analytical	**-**	**-**	-
Geological and consulting	**25,316**	**25,316**	100,188
Transportation and Accommodation	**5,861**	**5,861**	13,057
Drilling	**59,083**	**59,083**	264,048
Geophysical	**-**	**-**	-
Operational support	**12,845**	**12,845**	43,198
Others	**-**	**-**	-
Subtotal	**103,105**	**103,105**	420,491
Acquisition costs / Option payments	**1,188,465**	**1,188,465**	-
Total expenditures	**1,291,570**	**1,291,570**	420,491

Las Minas and La Miqueta

On October 13, 2010, the Corporation's 100% owned Mexican subsidiary Roca Verde Exploracion de Mexico entered into exclusive Letters of Intent to acquire the Las Minas and La Miqueta properties, collectively named the Las Minas Project. The project is comprised of five privately held mineral concessions in the core of the Las Minas district in the State of Veracruz, Mexico.

Pursuant to the terms of the original Las Minas property agreement the Corporation was granted the right to enter into an exclusive purchase and sale agreement to earn a 100% interest in three concessions by making staged cash payments totaling US$190,000 plus VAT over the next 36 months and a final payment of US$1,000,000 plus VAT upon exercising the option. The Vendors retained a 1.5% Net Smelter Return ("NSR") subject to an exclusive buyback provision allowing the Corporation to purchase one third or a 0.5% NSR for US$500,000. The Corporation retained a Right of First Refusal to buy the remaining 1.0 % NSR. The Corporation also agreed to complete a work program which required $200,000 in expenditures to maintain the concessions in good standing during the three year term of the agreement.

Pursuant to the terms of the original La Miqueta property agreement the Corporation was granted the right to enter into an exclusive purchase and sale agreement to earn a 100% interest in three concessions by making staged cash payments totaling US$95,000 plus VAT over 36 months beginning October 13, 2010 and a final payment of US$500,000 plus VAT upon exercising the option. The Vendors retained a 1.5% NSR subject to an exclusive buyback provision that allowed the Corporation to purchase one third or a 0.5% NSR for US$500,000. The Corporation retained a Right of First Refusal to buy the remaining 1.0 % NSR. The Corporation also agreed to keep the property in good standing with respect to concession taxes. During 2012, an extension agreement was executed to extend the deadline for the final payment by 12 months.

Option agreement extended to 2016

On June 6, 2013, the Corporation extended the option agreement to acquire the Pepe, Pepe Tres, and San Jose concessions located at the Las Minas property in Veracruz State, Mexico, and further revised on November 20, 2013. The amended agreement extended the term of the option agreement by an additional two years to December 5, 2015. Scheduled payments as per the terms of the amended agreement were US $130,000 over a 6 month period ending May 5, 2014, US $150,000 on December 5, 2014, with a final payment of US $1,300,000 on December 5, 2015. All payments are subject to VAT. The Corporation also retained the right to exercise the option at the latest on December 5, 2013 upon payment of US $1,000,000 as per the terms of the original option agreement on October 13, 2010.

On October 1, 2015, the Corporation announced the successful negotiation of a one year extension to its option agreement to acquire the Pepe, Pepe Tres and San Jose concessions located at its Las Minas property. These concessions are part of the six concessions held under option or wholly owned by Mexican Gold at Las Minas, Veracruz State, Mexico.

The new agreement extended the term of the option agreement by an additional one year to December 5, 2016. The payment for granting the extension was US$165,000, payable in equal monthly installments over a six month period and commencing at the latest on December 7, 2015.

On November 21, 2016, the Corporation announced another successful negotiation of a one year extension to its option agreement to acquire the Pepe, Pepe Tres and San Jose concessions located at its Las Minas property.

The new agreement extends the term of the option agreement by an additional one year to December 5, 2017 for consideration equal to US$180,000, payable in equal monthly installments over a six month period and commencing no later than December 7, 2016 ($246,482).

All other terms of the original agreement of November 30, 2010 and prior extension agreement of May 21, 2013 remained unchanged.

Extension of Las Minas option agreement to 2017

On April 23, 2015, the Corporation signed a two year extension to its option agreement to acquire the Pueblo Nuevo and La Luz 1 concessions located at its Las Minas property. These concessions are part of the concessions held under option or wholly owned by Roca Verde, (the wholly owned subsidiary of Mexican Gold) at Las Minas, Veracruz State, Mexico.

The new agreement extends the term of the option agreement by an additional two years to May 3, 2017. Scheduled payments per the terms of the agreement are as follows:

- US $12,500 (paid) cash consideration and $12,500 (issued) in common shares of Mexican Gold as soon as is practicable following acceptance of the extension of the option agreement by the TSXV;
- US $12,500 (paid) cash consideration and US $12,500 (issued) in common shares of Mexican Gold on April 22, 2016; and
- Final option payment due on May 3, 2015 extended to May 3, 2017 and reduced from US $500,000 to US $150,000 (paid) (Cdn$195,723).

All payments are subject to VAT. All other terms of the original agreement remain unchanged.

Acquisition of Pepe, Pepe Tres and San Jose concessions

On June 8, 2017, the Corporation through its wholly-owned subsidiary, Roca Verde, entered into a definitive purchase and sale agreement (the "Purchase Agreement") to acquire a 100% interest in the Pepe, Pepe Tres and San Jose concessions (the "Concessions") at its Las Minas property from the current owners (the "Owners"). The Concessions form the core of the Las Minas property and encompass six highly mineralized zones, including the El Dorado/Juan Bran and Santa Cruz zones.

Pursuant to the terms of the Purchase Agreement, Roca Verde has agreed to acquire the Concessions in consideration for the following payments to the Owners:

- an initial payment of US$433,333 (Cdn$553,288) plus Value Added Tax, payable upon execution of the Purchase Agreement (the "Initial Payment") (paid);
- six equal payments of US$22,000 plus Value Added Tax, payable monthly commencing on December 5, 2017 with the final payment due on May 7, 2018 (the "Monthly Payments") (paid); and
- a final payment of US$866,666 plus Value Added Tax, payable on or before December 5, 2018 (the "Final Payment" and, together with the Initial Payment and the Monthly Payments, the "Consideration") (paid).

In December 2018 the Corporation's subsidiary Roca Verde completed the final payment of the Purchase Agreement to acquire the 100% interest in the Pepe, Pepe Tres, and San Jose concessiona at the Las Minas property.

Pursuant to the terms of the Purchase Agreement, upon the transfer of the Concessions, the Owners shall retain a 1.5% NSR (the "Royalty"), of which one third may be purchased by Roca Verde for US$500,000 plus Value Added Tax. Roca Verde has a right of first refusal on the Royalty in the event that the Owners intend to transfer all or part of the Royalty.

6. CAPITAL AND RESERVES

i. Authorized

The Corporation is authorized to issue an unlimited number of common shares.

ii. Details of share issuances

2019

(ii) On November 22, 2018, the Corporation closed the first tranche of non-brokered private placement of 10,315,000 common shares (each a "Unit") at a price of $0.25 for gross proceeds of $2,063,000. Each Unit consists of one common share of the Corporation and once common share purchase warrant, exercisable at a price of $0.30 for a period of thirty-six months, subject to the Corporation's option to accelerate the expiry date of the Warrants on notice to the holders of the Warrants, if at any time after four months and one date from the closing date of the Private Placement, the closing price of its Common Shares on a stock exchange in Canada is greater than $0.45 per Common Share for a period of 20 consecutive trading days (the "Acceleration Option") In connection with the closing of the first tranche, the Corporation paid to certain eligible finders $76,510 in cash fees in the aggregate and issued a total of 356,300 compensation warrants which are are exercisable at a price of $0.30 per Common Share for thirty-six months, subject to the Corporation's Acceleration Option.

2018

(i) On August 9, 2017, the Corporation issued 78,431 shares with a deemed value of $20,000 as compensation.

(ii) On April 10, 2018, the Corporation closed a non-brokered private placement of 3,489,833 common shares (each a "Unit") at a price of $0.30 for gross proceeds of $1,046,950. Each Unit consists of one common share of the Corporation and once common share purchase warrant, exercisable at a price of $0.60 for a period of thirty-six months. Share issue costs of $24,943 were deducted from equity.

(Stated in Canadian Dollars)

iii. Warrants

The following table reflects the continuity of warrants as at December 31, 2018:

Expiry Date	Exercise Price $	Opening Balance #	Warrants Issued #	Warrants Exercised #	Warrants Expired #	Closing Balance #
November 30, 2018	0.250	4,059,872	-	-	(4,059,872)	**-**
November 30, 2018*	0.250	270,920	-	-	(270,920)	**-**
March 03, 2019	0.250	8,423,068	-	-	-	**8,423,068**
May 15, 2019	2.000	1,025,717	-	-	-	**1,025,717**
May 15, 2019*	2.000	51,738	-	-	-	**51,738**
May 25, 2019	0.450	5,990,270	-	-	-	**5,990,270**
May 25, 2019*	0.450	75,950	-	-	-	**75,950**
April 10, 2021	0.600	3,489,833	-	-	-	**3,489,833**
November 22, 2021	0.300	-	10,315,000	-	-	**10,315,000**
November 22, 2021*	0.300	-	356,300	-	-	**356,300**
		23,387,368	10,671,300	-	(4,330,792)	**29,727,876**
Weighted average exercise price		0.340	0.300	-	0.25	**0.340**

* Finder's warrants.

(Stated in Canadian Dollars)

The following table reflects the continuity of warrants as at June 30, 2018:

Expiry Date	Exercise Price $	Opening Balance #	Warrants Issued #	Warrants Exercised #	Warrants Expired #	Closing Balance #
November 30, 2018	0.250	4,987,172	-	(927,300)	-	**4,059,872**
November 30, 2018*	0.250	270,920	-	-	-	**270,920**
March 03, 2019	0.250	12,307,033	-	(3,883,965)	-	**8,423,068**
March 03, 2019*	0.250	72,000	-	(72,000)	-	**-**
May 15, 2019	2.000	1,025,717	-	-	-	**1,025,717**
May 15, 2019*	2.000	51,738	-	-	-	**51,738**
May 25, 2019	0.450	5,990,270	-	-	-	**5,990,270**
May 25, 2019*	0.450	75,950	-	-	-	**75,950**
April 10, 2021	0.600	-	3,489,833	-	-	**3,489,833**
		24,780,800	3,489,833	(4,883,265)	-	**23,387,368**
Weighted average exercise price		0.340	0.600	0.25	-	**0.340**

* Finder's warrants.

The fair value of the finder's warrants were estimated using the Black-Scholes option pricing model, with the following assumptions:

	2018	**2017**
Risk-free interest rate	**-**	1.5979 %
Annualized volatility****	**-**	170.32%
Expected dividend	**NIL**	NIL
Expected warrant life in years	**-**	5

**** Volatility was estimated based on the historical share price of the Corporation.

(Stated in Canadian Dollars)

iv. Share purchase option compensation plan

The Corporation has a share incentive plan (the "Plan") which is restricted to directors, officers, key employees and consultants of the Corporation. The number of common shares subject to options granted under the Plan (and under all other management options and employee stock purchase plans) is limited to 10% in the aggregate and 5% with respect to any one optionee of the number of issued and outstanding common shares of the Corporation at the date of the grant of the option. Options issued under the Plan may be exercised during a period determined by the Board of Directors which cannot exceed ten years.

The following table reflects the stock options outstanding as at December 31, 2018:

Expiry Date	**Exercise Price** $	**Opening Balance** #	**Granted** #	**Exercised** #	**Expired/ Cancelled** #	**Closing Balance** #
June 20, 2019	1.350	290,000	-	-	-	290,000
March 20, 2020	0.800	184,000	-	-	-	184,000
May 24, 2022	0.350	400,000	-	-	-	400,000
May 29, 2022	0.360	100,000	-	-	-	100,000
March 07, 2027	0.300	1,250,000	-	-	-	1,250,000
May 29, 2027	0.360	950,000	-	-	-	950,000
May 29, 2027	0.550	250,000	-	-	-	250,000
November 20, 2027	0.360	200,000	-	-	-	200,000
December 12, 2027	0.350	167,466	-	-	-	167,466
April 20, 2028	0.390	174,000	-	-	-	174,000
May 16, 2028	0.370	100,000	-	-	-	100,000
		4,065,466	-	-	-	4,065,466
Weighted average exercise price		0.440	-	-	-	0.440

The Corporation applies the fair value method of accounting for all stock based compensation awards and accordingly, $75,962 was recorded as compensation for the options vested during the period (2018 - $181,746 was recorded as compensation during the period). As of December 31, 2018 there are 1,252,311 unvested stock options, (2018- 2,767,466 unvested). Weighted average remaining life is 8.3 years.

For purposes of the options granted, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions:

	2018	**2017**
Risk-free interest rate	**-**	2.0
Annualized volatility*	**-**	174.17% - 174.35%
Expected dividend	**NIL**	NIL
Expected option life in years	**-**	10

*Volatility was estimated based on the historical share price of the Corporation.

(Stated in Canadian Dollars)

7. LOSS PER SHARE

The basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Fully diluted loss per share is the same as basic loss per share. The effect of common share purchase options and warrants on the net loss is not reflected as to do so would be anti-dilutive.

The following table sets forth the computation of basic and diluted loss per share:

	2019	2018
Numerator:		
Net loss	**(1,782,473)**	(1,657,118)
Denominator:		
Weighted average number of common shares	**44,813,090**	35,187,588
Basic and diluted loss per share	**(0.04)**	(0.05)

8. RELATED PARTIES TRANSACTIONS

The Corporation's related parties include key management personnel and entities over which they have control or significant influence as described below.

	Nature of transactions
Drax Services Limited	Corporate secretarial and filing services
Halstone Corporate Services Ltd.	Accounting and management services

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

The following are the related party transactions, recorded at the exchange amount as agreed to by the parties:

(a) Included in general and administrative expenses are amounts totaling $8,618 (2018 - $7,500) for corporate secretarial and filing services provided by DRAX Services Limited, a company related to the Corporation through Shaun Drake, Corporate Secretary of the Corporation.

(b) Included in general and administrative expenditures are amounts totaling $10,819 (2018 - $Nil) for accounting and management services provided by Halstone Corporate Services Ltd., a company related to the Corporation through Gavin Nelson, Chief Financial Officer of the Corporation.

(Stated in Canadian Dollars)

Transactions with key management personnel

Key management personnel remuneration includes the following expenses:

	December 31, 2018 $	December 31, 2017 $
Salary and wages	**210,281**	63,416
Share-based payments	**85,246**	327,552
Other compensation	**1,864**	2,488
	297,391	393,456

(i) As at December 2018, the directors and key management were owed $210,147 (June 30, 2018 $49,169) and this amount was included in accounts payable and accrued liabilities.

9. FINANCIAL INSTRUMENTS AND RELATED RISKS

The Corporation's operations include the acquisition and exploration of mineral properties in Mexico. The Corporation examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, liquidity risk, currency risk, interest rate risk and other risks. Where material, these risks are reviewed and monitored by the Board of Directors.

[a] Credit risk
Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Corporation by those counterparties, less any amounts owed to the counterparty by the Corporation where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

i) Cash and cash equivalents
In order to manage credit and liquidity risk the Corporation invests only in highly rated investment grade instruments that have maturities of three months or less. Limits are also established based on the type of investment, the counterparty and the credit rating.

[b] Liquidity risk
Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through the management of its capital structure. At December 31, 2018 the Corporation had a working capital balance of $557,235 The Corporation will require additional financing in order to complete its planned work programs on its mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they become due.

Accounts payable and accrued liabilities are due within the current operating period.

[c] Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Corporation will realize a significant loss as a result of a decline in the fair market value of investments and other items held within cash and cash equivalents is limited given that the majority of investments have a relatively short maturity. The Corporation manages its interest rate risk with investments by investing the majority of funds in short-term investments and therefore is not exposed to significant fluctuations in interest rates.

[d] Currency risk
The Corporation is exposed to the financial risk related to the fluctuation of foreign exchange rates. The functional and reporting currency of the Corporation is the Canadian dollar. The functional currency of the subsidiary is the Mexican Peso. As at December 31, 2018, there are no significant financial instruments denominated in Mexican Pesos. Changes in the currency exchange rates between the Canadian dollar relative to Mexican Pesos could have an effect on the Corporation's results of operations, financial position or cash flows. The Corporation has not hedged its exposure to currency fluctuations. At December 31, 2018 a 100 basis point decrease/increase in the Mexican Peso would result in a foreign exchange gain/loss of $5,250.
The Corporation does not invest in derivatives to mitigate these risks.

10. MANAGEMENT OF CAPITAL RISK

The Corporation manages its common shares, stock options and warrants as capital. The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going-concern in order to pursue the exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares and, acquire or dispose of mineral properties.

In order to maximize ongoing exploration efforts, the Corporation does not pay out dividends. The Corporation's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with short-term maturities, selected with regard to the expected timing of expenditures from continuing operations.