

**CASCADERO COPPER CORPORATION**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**MAY 31, 2019 and 2018**  
**(Unaudited – Expressed in Canadian dollars)**

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**NOTICE – No Auditor Review of the Interim Consolidated Financial Statements.**

The accompanying unaudited condensed interim consolidated financial statements of Cascadero Copper Corporation (the “Company”) have been prepared by management.

The Company’s independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of the interim consolidated statements by an entity’s auditor.

**CASCADERO COPPER CORPORATION**  
**Condensed Interim Consolidated Statements of Financial Position**  
**(Unaudited – Expressed in Canadian dollars)**

|  | May 31,<br>2019 | November 30,<br>2018 |
|--|-----------------|----------------------|
| <b>ASSETS</b>  |                 |                      |
| <b>Current</b>   |                 |                      |
| Cash and cash equivalents                                | 165,609         | 163,560              |
| Marketable securities                                    | 280,378         | 280,378              |
| Taxes receivable   | 81,111          | 69,482               |
| Prepaid expenses   | 4,841           | 7,341                |
|  | 531,939         | 520,761              |
| <b>Due from a related party</b>                          | 168,848         | 168,848              |
| <b>Exploration and evaluation assets</b>                 | -               | -                    |
| <b>Equipment</b>   | 877             | 1,120                |
|  | 701,664         | 690,729              |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b> |                 |                      |
| <b>Current</b>   |                 |                      |
| Account payable  | 116,327         | 104,207              |
| Accrued liabilities                                      | 102,977         | 128,053              |
| Due to related parties                                   | 922,678         | 861,197              |
| Loans payable  | 200,000         | 200,000              |
| Share of net liabilities in joint venture                | 493,837         | 15,497               |
|  | 1,835,819       | 1,308,954            |
| <b>Shareholders' equity (deficiency)</b>                 |                 |                      |
| Share capital  | 22,507,188      | 22,382,188           |
| Contributed surplus                                      | 4,810,812       | 4,810,812            |
| Other comprehensive income                               | (194,185)       | (328,240)            |
| Deficit  | (28,257,970)    | (27,482,985)         |
|  | (1,134,155)     | (618,225)            |
|  | 701,664         | 690,729              |

**Nature and continuance of operations (Note 1)**  
**Commitments (Note 10)**

Approved by the Board:

“William McWilliam”  
 Director – William McWilliam

“Brian Causey”  
 Director – Brian Causey

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

**CASCADERO COPPER CORPORATION**

**Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)**  
**(Unaudited – Expressed in Canadian dollars)**

|  | <b>3 Months<br/>Ended<br/>May 31,<br/>2019</b> | <b>6 Months<br/>Ended<br/>May 31,<br/>2019<br/>\$</b> | <b>3 Months<br/>Ended<br/>May 31,<br/>2018<br/>\$</b> | <b>6 Months<br/>Ended<br/>May 31<br/>2018<br/>\$</b> |
|--|--|---|---|--|
| <b>EXPENSES</b>  |  |   |   |  |
| Accounting and audit                                       | 61,691   | 120,323   | 38,555  | 59,330   |
| Advertising and promotion                                  | -  | 1,025   | -   | 12,211   |
| Amortization   | 122  | 243   | 219   | 438  |
| Bank and interest charges                                  | 115  | 157   | 180   | 419  |
| Filing, sustaining and finder's fees                       | 4,933  | 6,050   | 11,732  | 19,764   |
| Management fee   | 40,000   | 80,000  | 40,000  | 80,000   |
| Office and miscellaneous                                   | 1,025  | 5,244   | 29,091  | 60,320   |
| Professional fees/consulting fees                          | -  | -   | 48,006  | 64,764   |
| Insurance  | 5,912  | 8,412   | 3,750   | 5,000  |
| Rent   | 4,500  | 9,000   | 4,500   | 9,000  |
| Telephone  | 330  | 996   | 2,823   | -  |
| Shareholder info/investor relations                        | 1,159  | 1,159   | -   | -  |
| Business exploration cost                                  | -  | -   | (13,461)  | -  |
| Travel, meals and promotion                                | -  | -   | 382   | 46,905   |
| Gain on disposition of mineral property                    | -  | -   | (241,667)   | (541,667)  |
|  | <u>119,787</u>                                 | <u>232,609</u>  | <u>(75,890)</u>                                       | <u>(176,275)</u>                                     |
| <b>Income (Loss) before other items</b>                    | <u>(119,787)</u>                               | <u>(232,609)</u>                                      | <u>75,890</u>   | <u>176,275</u>                                       |
| <b>Other items</b>   |  |   |   |  |
| Share of loss of joint venture                             | (262,348)                                      | (542,376)   | (96,522)  | (427,144)  |
| Foreign exchange gain(loss)                                | -  | -   | (3,626)   | 49,217   |
|  | <u>(262,348)</u>                               | <u>(542,376)</u>                                      | <u>(100,148)</u>                                      | <u>(377,927)</u>                                     |
| <b>Net and comprehensive income (loss) for period</b>      | <u>(382,135)</u>                               | <u>(774,985)</u>                                      | <u>(24,258)</u>                                       | <u>(201,652)</u>                                     |
| <b>Basic and Diluted Income (Loss) Per Common Share</b>    |  |   |   |  |
|  | <u>(0.002)</u>                                 | <u>(0.004)</u>  | <u>(0.000)</u>  | <u>(0.001)</u>                                       |
| <b>Weighted Average Number of Common Share Outstanding</b> |  |   |   |  |
|  | <u>177,177,472</u>                             | <u>177,177,472</u>                                    | <u>164,568,512</u>                                    | <u>164,568,512</u>                                   |

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

**CASCADERO COPPER CORPORATION**  
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF SHARHOLDERS' EQUITY AND DEFICIT**  
**FOR THE QUARTER ENDED MAY 31, 2019 AND 2018**

|  | Shares             | Amount            | Contributed<br>Surplus | Treasury<br>Shares | Accumulated<br>Other<br>comprehensive<br>income | Deficit             | Total              |
|--|--------------------|-------------------|------------------------|--------------------|---|---------------------|--------------------|
| Balance, December 01, 2017                         | 188,878,892        | 22,507,478        | 4,466,808              | (528,740)          | 17,582  | (26,673,152)        | (210,024)          |
| Stock option exercised – Feb 28, 2018              | 4,620,000          | 231,400           | -                      | -                  | -   | -                   | 231,400            |
| Stock options exercised – May 31, 2018             | 700,000            | 75,000            | -                      | -                  | -   | -                   | 75,000             |
| Comprehensive income(loss) – Feb 28, 2018          | -                  | -                 | -                      | -                  | 1,629   | -                   | 1,629              |
| Net loss for the quarter – Feb. 28, 2018           | -                  | -                 | -                      | -                  | -   | (177,393)           | (177,393)          |
| Net loss for the quarter – May 31, 2018            | -                  | -                 | -                      | -                  | -   | (24,258)            | (24,258)           |
| <b>Balance, May 31, 2018</b>                       | <b>194,198,892</b> | <b>22,813,878</b> | <b>4,466,808</b>       | <b>(528,740)</b>   | <b>19,211</b>                                   | <b>(26,874,803)</b> | <b>(103,646)</b>   |
| <b>Balance, December 01, 2018</b>                  | <b>194,298,892</b> | <b>22,910,928</b> | <b>4,810,812</b>       | <b>(528,740)</b>   | <b>(328,240)</b>                                | <b>(27,482,985)</b> | <b>(618,225)</b>   |
| Shares issued pursuant to private placements       | -                  | 250,000           | -                      | -                  | -   | -                   | 250,000            |
| Partial withdrawal on shares issued pursuant to PP | -                  | (125,000)         | -                      | -                  | -   | -                   | (125,000)          |
| Finder's fee                                       | -                  | -                 | -                      | -                  | -   | -                   | -                  |
| Comprehensive income(loss)-Feb. 28, 2019           | -                  | -                 | -                      | -                  | (60,466)  | -                   | (60,466)           |
| <b>Comprehensive income(loss)-May 31, 2019</b>     | <b>-</b>           | <b>-</b>          | <b>-</b>               | <b>-</b>           | <b>194,521</b>                                  | <b>-</b>            | <b>194,521</b>     |
| Net loss for the quarter-Feb. 28, 2019             | -                  | -                 | -                      | -                  | -   | (392,850)           | (392,850)          |
| <b>Net loss for the quarter – May 31, 2019</b>     | <b>-</b>           | <b>-</b>          | <b>-</b>               | <b>-</b>           | <b>-</b>  | <b>(382,135)</b>    | <b>(382,135)</b>   |
| <b>Balance, MAY 31, 2019</b>                       | <b>194,298,892</b> | <b>23,035,928</b> | <b>4,810,812</b>       | <b>(528,740)</b>   | <b>(194,185)</b>                                | <b>(28,257,970)</b> | <b>(1,134,155)</b> |

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

**CASCADERO COPPER CORPORATION**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**(Unaudited – Expressed in Canadian dollars)**

|   | <b>3 Months<br/>Ended<br/>May 31, 2019<br/>\$</b> | <b>6 Months<br/>Ended<br/>May 31, 2019<br/>\$</b> | <b>3 Months<br/>Ended<br/>May 31, 2018<br/>\$</b> | <b>6 Months<br/>Ended<br/>May 31, 2018<br/>\$</b> |
|---|---|---|---|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>               |   |   |   |   |
| Income (Loss) for the year                                | (382,135)   | (774,985)   | (24,258)  | (201,652)   |
| Items not affecting cash:                                 |   |   |   |   |
| Amortization  | 122   | 243   | 219   | 438   |
|   | <u>(382,013)</u>                                  | <u>(774,742)</u>                                  | <u>(24,039)</u>                                   | <u>(201,214)</u>                                  |
| <b>Changes in non-cash working capital items:</b>         |   |   |   |   |
| (Increase) decrease in receivable                         | (5,762)   | (11,629)  | (10,403)  | (17,462)  |
| (Increase) decrease in receivable-Regberg                 | -   | -   | 300,125   | 300,125   |
| (Increase) decrease in prepaid expenses                   | -   | 2,500   | 23,391  | (9,431)   |
| (Increase) decrease in investment-marketable security     | -   | -   | (241,667)   | (241,667)   |
| Increase (decrease) in accounts payable and other Payable | (4,380)   | 12,044  | (16,208)  | (88,323)  |
| Increase (decrease) in accrued liabilities                | (15,000)  | (25,000)  | (15,000)  | (30,000)  |
| Inter-company   |   |   |   |   |
| Foreign exchange adjustment                               | 194,521   | 134,055   | -   | 1,629   |
| Net Cash Used in Operating Activities                     | <u>(212,634)</u>                                  | <u>(662,772)</u>                                  | <u>16,199</u>                                     | <u>(286,343)</u>                                  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>               |   |   |   |   |
| Investment made to Argentina JV                           | 198,313   | 478,340   | -   | -   |
| Advances made to equity affiliates/subsidiary             | -   | -   | (75,819)  | (28,150)  |
| Net Cash Provided By (Used In) Investing Activities       | <u>198,313</u>                                    | <u>478,340</u>                                    | <u>(75,819)</u>                                   | <u>(28,150)</u>                                   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>               |   |   |   |   |
| Due to/from related parties                               | 24,547  | 61,481  | (120,716)   | (192,676)   |
| Private Placement   | (125,000)   | 125,000   | -   | -   |
| Options exercised   | -   | -   | 75,000  | 306,400   |
| Net Cash Provided By (Used In) Financing Activities       | <u>(100,453)</u>                                  | <u>186,481</u>                                    | <u>(45,716)</u>                                   | <u>113,724</u>                                    |
| <b>Increase (Decrease) in Cash During the Period</b>      | <b>(114,774)</b>                                  | <b>2,049</b>                                      | <b>(105,336)</b>                                  | <b>(200,769)</b>                                  |
| <b>Cash, Beg. of the Period</b>                           | <b>280,383</b>                                    | <b>163,560</b>                                    | <b>233,618</b>                                    | <b>329,051</b>                                    |
| <b>Cash, End of the Period</b>                            | <b>165,609</b>                                    | <b>165,609</b>                                    | <b>128,282</b>                                    | <b>128,282</b>                                    |
| Cash Paid During the Period for interest                  | -   | -   | -   | -   |

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

## **1. NATURE OF OPERATIONS AND GOING CONCERN**

Cascadero Copper Corporation ("Cascadero" or the "Company") was incorporated pursuant to the Alberta Business Corporations Act on October 30, 2003 and continued into the Province of British Columbia on June 3, 2004. The Company is engaged in the business of acquiring, exploring and developing mineral properties located primarily in Argentina. The Company is considered to be in the exploration stage. The Company's head office and principal address at, #345, 901 West Third Street, North Vancouver, British Columbia, Canada and records office is located at 1055 W. Georgia Street, Suite 1500 Vancouver, BC V6E 4N7.

The Company is in the process of exploring and developing mineral properties and has not yet determined whether these properties contain precious mineral reserves that are economically recoverable.

These consolidated financial statements have been prepared on the basis of a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. These consolidated financial statements do not give effect to adjustments that would be necessary should the Company 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. Such adjustments could be material.

The Company has a history of losses with no operating revenue other than interest income. As at May 31, 2019, the Company has incurred cumulative losses of \$28,257,970 and had a negative working capital of \$1,303,880. The ability of the Company to continue operations and carry out its planned business objectives is dependent on its ability to raise adequate financing from shareholders and other investors, the continued support from its directors and creditors, and the successful development of mineral properties or alternatively upon the Company's ability to dispose of its interest in mineral properties on an advantageous basis in the future. The outcome of these matters cannot be predicted at this time. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. The above factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and liabilities in the normal course of business.

These consolidated financial statements do not include adjustments that would be required if a going concern is not an appropriate basis for preparation of these consolidated financial statements. These adjustments could be material.

## **2. BASIS OF PREPARATION**

### **a) 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"). The policies applied in these consolidated financial statements are based on IFRS in effect as of May 31, 2019.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on July 30, 2019

### **b) Basis of measurement**

The consolidated financial statements have been prepared under the historical cost basis except for those as explained in the accounting policies below.

c) Use of estimates

The preparation of these consolidated financial statements requires management to make judgements, 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.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Company to all periods presented in these consolidated financial statements.

a) Principles of consolidation

These consolidated financial statements include the accounts of Cascadero and the accounts and operations of the following entities:

| <b>Entities</b>                        | <b>Jurisdiction of Incorporation</b> | <b>Ownership</b> |
|--|--------------------------------------|------------------|
| SESA Holdings, LLC ("SHL")             | United States                        | Control          |
| Cascadero Minerals Corporation ("CMC") | Canada                               | Note (i) below   |
| Salta Exploraciones S.A. ("Salta")     | Argentina                            | Note (i) below   |
| Cascadero Minerals S.A. ("CMSA")       | Argentina                            | Note (i) below   |
| Salta Geothermal S.A. ("SGSA")         | Argentina                            | Note (i) below   |
| Trumetals S.A. ("TSA")                 | Argentina                            | Note (i) below   |

Subsidiaries are entities controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investees);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains controls over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated statements of loss and comprehensive loss from the date the Company gains control until the date the Company ceases to control the subsidiary.



### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)**

Up until November 29, 2016, Cascadero is the legal and beneficial holder of all of the issued and outstanding shares of CMSA, SGSA and TSA. These entities were duly formed under the laws of Argentina which holds certain mineral properties in Argentina. On November 30, 2016, the Company underwent a re-organization by transferring and assigning all legal and beneficial interests in CMSA, SGSA and TSA to CMC (the "Reorganization") and CMC became a vehicle indirectly holding all Argentina mineral properties. After the Reorganization, CMC, CMSA, SGSA and TSA are collectively referred to as the Argentina Entities. As at May 31, 2019, the Company has not completed the share transfer of CMSA and TSA from Cascadero to CMC. The Company lost control in the Argentina Entities effective November 30, 2016, and retained a joint control (see Note 5). The Argentina Entities' operating results are accounted for using the equity method effective November 30, 2016. CMC had no material transactions for the 3 months ended May 31, 2019 and 2018.

The Company has adopted the amendment issued by the IASB in September 2014 "*Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures (Amendments to IFRS 10 and IAS 28)*" (the "2014 Amendment"). This amendment modified the IFRS 10 and requires the gain or loss on transactions that do not constitute a business is recognized only to the extent of the unrelated investors' interests in the joint venture. In addition, if parent retains an investment in the former subsidiary and the former subsidiary is now an associate or a joint venture that is accounted for using the equity method, the parent recognizes the part of the gain or loss resulting from the re-measurement at fair value of the investment retained in that former subsidiary in its profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The remaining part of that gain is eliminated against the carrying amount of the investment retained in the former subsidiary.

#### **b) Joint arrangements**

A joint arrangement is a contractual arrangement where two or more parties undertake an economic activity that is subject to joint control. Joint control exists when the parties involved in the contractual arrangement agree to share control over the economic activity, and the financial and operating decisions are agreed to be made by unanimous consent.

There are two types of joint arrangements: joint operations and joint ventures. A joint operation exists when the parties with joint control have rights to the assets and the obligations for the liabilities. A joint venture exists when the parties with joint control have the rights to the net assets of the arrangement.

Joint ventures are accounted for using the equity method, which involves recognition in the income statement of the Company's share of the net result of the joint ventures for the year. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Company. The Company's interest in a joint venture is carried in the consolidated statements of financial position at its share in the net assets of the joint venture, less any impairment loss. When the share in the losses exceeds the carrying amount of an equity-accounted company (including other receivables forming part of the net investment in the joint venture), the carrying amount is written down to nil and recognition of further losses is discontinued, unless the Company has legal or contractual obligations relating to the joint venture in question.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Company determines whether there is objective evidence that the investment in associate or joint venture is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss as share of profit/loss of an associate and a joint venture in the consolidated statements of loss.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION):**

c) Presentation currency and foreign currency translation

The presentation currency of the Company is Canadian dollars.

Functional currency is the currency of the primary economic environment in which an entity operates. The functional currencies of the Company, CMC and SHL are Canadian dollars, the functional currencies of the Argentina entities are the Argentine pesos. The assets and liabilities of foreign operations are translated to the presentation currency using the exchange rate prevailing at the financial position date. The income and expenses of foreign operations are translated to the presentation currency using the average rate of exchange during the year. All resulting exchange differences are recognized directly in other comprehensive income.

d) Foreign currency transaction

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities that are stated at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in other than the functional currency are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are charged to the consolidated statements of loss.

e) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of three months or less. As at May 31, 2019 and 2018, the Company did not have cash equivalents.

f) Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is provided using the declining balance method at the following annual rates:

|                        |     |
|------------------------|-----|
| Computer equipment     | 45% |
| Furniture and fixtures | 20% |

Additions during the year are pro-rata amortized based on the annual amortization rate.

g) Exploration and evaluation assets

(i) Pre-license expenditures

Pre-license expenditures are costs incurred before the legal rights to explore a specific area have been obtained. These costs are expensed in the period in which they are incurred.

(ii) Exploration and evaluation expenditures

Once the legal right to explore has been acquired, costs directly associated with the exploration project are capitalized as either tangible or intangible exploration and evaluation assets according to the nature of the asset acquired. Such exploration and evaluation ("E&E") costs may include undeveloped land acquisition, geological, geophysical and seismic, exploratory drilling and completion, testing, decommissioning and directly attributable internal costs. E&E costs are not depleted and are carried forward until technical feasibility and commercial viability of extracting a mineral resource is considered to be determined.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)**

The technical feasibility and commercial viability of a mineral resource is considered to be established when proven and or probable mineral reserves are determined to exist. The Company has not established NI 43-101 compliant proven or probable reserves on any of its mineral properties which have been determined to be economically viable.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest, with any excess cash accounted for as a gain on disposal.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

#### **(iii) Impairment**

Exploration and evaluation assets are assessed for impairment at the each reporting period or when indicators and circumstances suggest that the carrying amount may exceed its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Indication of impairment includes but is not limited to expiration of the right to explore, substantive expenditures in the specific area is neither budgeted nor planned, and exploration for and evaluation of mineral resources in the specific area have not led to the discovery of any commercially viable quantities of mineral resources.

Where an impairment loss subsequently reversed the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that 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 as profit or loss.

#### **h) Earnings (loss) per share**

Earnings (loss) per share are calculated using the weighted average number of shares outstanding.

The Company uses the treasury stock method for computing diluted earnings (loss) per share. This method assumes that any proceeds obtained upon exercise of options or warrants would be used to purchase common shares at the average market price during the period.

Diluted earnings (loss) per share for the quarters ended May 31, 2019 and 2018, are equal to loss per share as the effect of applying the treasury stock method is anti-dilutive.

#### **i) Share-based payments**

The Company recognizes share-based compensation expense for all stock options awarded to directors, officers and employees based on the fair values of the stock options at the date of grant. The fair values of the stock options at the date of grant are expensed over the vesting periods of the stock options with a corresponding increase to equity. The fair value of stock options granted to directors, officers and employees is determined using the Black-Scholes option pricing model with market related inputs as of the date of the grant. The fair value of stock options granted to non-employees is measured at the fair value of the services delivered unless fair value cannot be estimated reliably, in which case, fair value is determined using the Black-Scholes option pricing model.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)**

Stock options with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values. Forfeitures are accounted for using estimates based on historical actual forfeiture data.

j) Income taxes

Income tax on the profit or loss for the periods presented would normally comprise current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for unused tax loss carry-forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the group intends to settle its current tax assets and liabilities on a net basis.

k) Provision for environmental rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when an environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. 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 profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and changes to the current market-based discount rate, and the amount or timing of the underlying cash flows needed to settle the obligation.

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

As at May 31, 2019 and 2018, the Company had no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

#### l) Financial Instruments

Financial assets are classified into one of four categories:

- Fair value through profit or loss;
- Held-to-maturity;
- Available for sale; and
- Loans and receivables

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset

#### *Financial assets at fair value through profit or loss ("FVTPL")*

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if

- It has been acquired principally for the purpose of selling in the near future;
- It is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

The Company does not have financial assets classified as FVTPL.

#### *Held-to-maturity ("HTM")*

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any financial assets classified as HTM investments.

#### *Available-for-sale financial assets ("AFS")*

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (i) loans and receivables, (ii) held-to-maturity investments or (iii) financial assets as at FVTPL. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS monetary items, are recognized in other comprehensive income or loss. When an investment is derecognized, the cumulative gain or loss in the investment revaluation reserve is transferred to profit or loss. The Company classifies marketable securities as AFS.

#### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less and impairment losses. The Company classifies cash, due from joint venture partner and due from a related party as loans and receivables.

#### *Derecognition of financial assets*

A financial asset is derecognized when:

- The contractual right to the asset's cash flows expire; or
- If the Company transfer the financial assets and substantially all risks and rewards of ownership to another entity.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)**

#### *Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

#### *Financial liabilities*

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

#### *Other financial liabilities*

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company has classified accounts payable, due to related parties and loans payable as other financial liabilities.

#### *Derecognition of financial liabilities*

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

#### m) Critical accounting estimates and judgements

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

Information about critical accounting estimates and judgements in applying accounting policies that have the most significant risk of causing material adjustments to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

#### c) Judgements

##### *Valuation of exploration and evaluation expenditures*

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Significant judgement is required when determining whether facts and circumstances suggest that the carrying amount of exploration and evaluation assets may exceed its recoverable amount.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)**

#### *Joint Arrangement*

The accounting for investments in other companies can vary depending on the degree of control and influence over those other companies. Management is required to assess at each reporting date the Company's control and influence over the other companies. Management has used its judgement to determine which companies are controlled and require consolidation, and those which are significantly influenced or jointly controlled and require equity accounting. Determination of the date that the Company's interest in the Argentina Entities changed from control to joint control also required significant judgement. The Company has determined that effective November 30, 2016, the Company lost control in the Argentina Entities and retained joint control in these entities as the participating parties have joint control and a right to the net assets of the arrangement.

Significant judgements and estimates are also required to determine the fair value of the investments retained in the Argentina Entities that were former subsidiaries of the Company.

At each reporting date, the Company determines whether there is objective evidence that the investment in associate or joint venture is impaired. Significant judgement is required when determining whether facts and circumstances suggest that the carrying amount of the investment in associate or joint venture may exceed its recoverable amount.

#### *Business versus asset*

Identifying a transaction as being a business or asset requires judgement regarding whether the set of assets and liabilities acquired or disposed constitutes a business based on the particular circumstances.

#### *Provision*

Management assesses the probability of a liability being payable as either remote, more than remote or probable. If the liability is considered to be less than probable, then the liability is not recorded and it is only disclosed as a contingent liability.

#### d) Estimates

##### *Share-based payment transactions*

Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option and warrant, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payments are disclosed in Note 8 (d).

#### n) Accounting standards issued but not yet effective.

A number of new standards, amendments to standards and interpretations, are not yet effective for the year ended November 30, 2019, and have not been applied in preparing these consolidated financial statements. The standards, amendments and interpretations issued, which the Company reasonably expects to be applicable at a future date, are listed below. The Company intends to adopt those standards, amendments and interpretations when they become effective.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

(i) *IFRS 9 Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Company does not expect the adoption of this standard will have significant impact on its consolidated financial statements.

(ii) *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. The Company currently does not have any revenues, the Company does not expect the adoption of this standard will have an impact on its consolidated financial statements.

(iii) *IFRS 16 Leases*

In January 2016, the IASB published a new standard, IFRS 16. The new standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting remains largely unchanged from IAS 18 and the distinction between operating and finance leases is retained. The standard is effective for annual period beginning on or after January 1, 2019. The Company did not have significant operating leases obligations as at November 30, 2018. The Company does not expect the adoption of this standard will have significant impact on its consolidated financial statements.

### 4. MARKETABLE SECURITIES

Marketable securities consist of public company stocks and are recorded at fair value based on quoted market prices, with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss. During the year ended November 30, 2018, and the second quarter ended May 31, 2019, the Company recorded an unrealized loss of \$343,522 (2017 – unrealized gain of \$9,723) in other comprehensive income. The continuity of the marketable securities is presented below:

|                            | Number of Shares | Carrying Value | Fair Value |
|----------------------------|------------------|----------------|------------|
|                            |                  | \$             | \$         |
| Balance, November 30, 2018 | 5,097,778        | 614,178        | 280,678    |
| Balance, May 31, 2019      | 5,097,778        | 614,178        | 280,378    |



**5. INVESTMENT IN JOINT VENTURE**

On December 21, 2015, the Company and Regberg Ltd. (“Regberg”) signed an Amendment #2 Operating Agreement SESA Holdings, LLC (the “Amendment #2 Agreement”). According to the Amendment #2 Agreement, Regberg acquired 25% in SHL for US\$850,000. Regberg had an option to acquire a further 5% interest in SHL by paying US\$175,000 before May 18, 2018 (collectively referred as the “Regberg Transaction”). In April 2016, Regberg exercised the option to acquire additional 5% interest. In connection with the Regberg Transaction, the Company also issued 5,824,600 treasury shares held by CMC to Regberg in November 2016. The treasury shares issued to Regberg was measured at \$0.095 per share, being the Company’s stock trading price at date of issuance.

SHL held certain mineral properties in Argentina through its wholly owned Argentina subsidiary, Salta. Immediately prior to disposition of Salta (Note 3 (a)), the Company transferred all of its Argentina mineral properties to CMSA, SGSA and TSA. On November 30, 2016, the Company underwent a reorganization whereby the Company transferred and assigned all of its beneficial interests in CMSA, SGSA and TSA to CMC and has agreed that Regberg has 30% of direct interest in CMC under the Regberg Transaction.

In accordance with the Amendment #2 Agreement, all decisions affecting Argentina Entities’ operations shall require the consent of a majority of the managers. Each of the Company and Regberg is entitled to appoint one of the managers so long as they maintain at least a 25% interest in CMC. If either party’s interest in CMC is reduced below 25%, there shall be three managers, and the party holding an interest greater than 75% shall be entitled to appoint two managers and the party holding an interest less than 25% shall be entitled to appoint one manager. The operating agreement does not give each party the right to the assets and obligations for the liabilities relating to the arrangement, rather they split the net value. Pursuant to the same agreement, each party will be responsible for funding its respective share of exploration cost. Failing to provide its pro rata share of the funds required would cause an adjustment to its interests in the Argentina Entities based on the formula defined in the Amendment #2 Agreement. No profits can be distributed without consent by the majority of the managers.

The Company has concluded that the Argentina Entities is a joint venture, and it lost the control in Argentina Entities effective November 30, 2016, and the retained joint control in these entities on the same date. The Company has accounted for it using the equity method effective November 30, 2016.

Summarized financial information of the Argentina Entities and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

|  | 2018            | 2017    |
|--|-----------------|---------|
|  | \$              | \$      |
| Current assets                                 | <b>41,168</b>   | 51,253  |
| Current liabilities                            | <b>(62,711)</b> | (9,088) |
| Non-current liabilities                        | <b>(595)</b>    | (2,850) |
| Net (liabilities) assets                       | <b>(22,138)</b> | 39,315  |
| Ownership interest                             | <b>70%</b>      | 70%     |
| Proportion of the Company's ownership interest | <b>(15,497)</b> | 27,521  |
| Foreign currency translation adjustments       | <b>—</b>        | (3,779) |
| Net (liabilities) assets of joint venture      | <b>(15,497)</b> | 23,742  |

|                                       | 2018           | 2017    |
|---------------------------------------|----------------|---------|
|                                       | \$             | \$      |
| Revenue                               | <b>—</b>       | —       |
| Expense                               | <b>426,695</b> | 603,185 |
| Net loss and total comprehensive loss | <b>426,695</b> | 603,185 |

**5. INVESTMENT IN JOINT VENTURE (CONTINUATION)**

As at May 31, 2019, the amount due from Regberg is \$Nil (2018 - \$Nil). The recovery from its joint venture partner is recorded as a reduction of investment in the joint venture when cash is received.

The Argentina Entities had no material contingent liabilities or capital commitments as at May 31, 2019 and 2018.

**6. EXPLORATION AND EVALUATION ASSETS**

*Toodoggone Property*

The Company had 49% interest in the Toodoggone property located in BC. The Company has written off all of the capitalized exploration expenditures relating to the Toodoggone property in prior years leaving the property with a carrying value of \$nil because no significant expenditures were planned or budgeted, and the Company lacks the capital to continue spending on the property.

On June 7, 2017, the Company signed an option agreement (the "Option Agreement") with Amarc Resources ("Amarc") that enables Amarc to acquire a 100% interest in the Company's 49% interest in the Toodoggone property. In order to exercise the option, Amarc is required to make staged cash payments to the Company in the aggregate amount of \$1 million and issuance of common shares of Amarc with the aggregated value of \$950,000 before October 31, 2018. During the year ended November 30, 2017, the Company received \$400,000 cash and 1,944,444 common shares of Amarc with the fair value of \$281,044 based on the Amarc's common shares' trading price at the date of issuance. During the year ended November 30, 2018, the Company received remaining proceeds consisting of \$600,000 cash and 3,333,334 common shares of Amarc with the fair value of \$358,333 based on the Amarc's common shares' trading price at the date of issuance (Note 4). The Company recognized a gain on disposal of the Toodoggone property of \$958,333 (2017 - \$681,944) during the year ended November 30, 2018.

At May 31, 2019, the Company no longer has any interest in the Toodoggone Property.

*Argentina Mineral Properties*

The Company, through CMSA, SGSA and TSA holds certain mineral properties in Argentina (also see Note 5). The summary of exploration costs incurred directly by the Company for the years ended November 30, 2018 and 2017 are as follows. These expenditures have been written off as at November 30, 2018 and 2017 respectively because the Company had no budgeted or planned exploration for the next twelve months.

|                            | <b>2018</b>   | 2017    |
|----------------------------|---------------|---------|
|                            | <b>\$</b>     | \$      |
| Consulting                 | <b>50,095</b> | 170,862 |
| Geological and exploration | —             | 503,466 |
| Food and lodging           | <b>25,145</b> | 66,175  |
| Equipment and truck rental | —             | 6,563   |
| Others                     | <b>14,424</b> | 39,950  |
|                            | <b>89,664</b> | 787,016 |

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**7. EQUIPMENT**

|  | Computer<br>equipment<br>\$ | Furniture and<br>Fixture<br>\$ | Total<br>\$   |
|--|-----------------------------|--------------------------------|---------------|
| <b>Cost</b>                                  |                             |                                |               |
| Balance at November 30, 2016                 | 42,321                      | 591                            | 42,912        |
| Additions                                    | -                           | -                              | -             |
| <b>Balance at November 30, 2017 and 2018</b> | <b>42,321</b>               | <b>591</b>                     | <b>42,912</b> |
| <b>Accumulated depreciation</b>              |                             |                                |               |
| Balance at November 30, 2016                 | 38,854                      | 479                            | 39,333        |
| Additions                                    | 1,561                       | 22                             | 1,583         |
| Balance at November 30, 2017                 | 40,415                      | 501                            | 40,916        |
| Additions                                    | 858                         | 18                             | 876           |
| <b>Balance at November 30, 2018</b>          | <b>41,273</b>               | <b>519</b>                     | <b>41,792</b> |
| Additions – February 28, 2019                | 118                         | 4                              | 122           |
| Additions – May 31, 2019                     | 118                         | 3                              | 121           |
| <b>Balance at February 28, 2019</b>          | <b>41,509</b>               | <b>526</b>                     | <b>42,035</b> |
| <b>Net carrying amounts</b>                  |                             |                                |               |
| Balance at November 30, 2015                 | 1,916                       | 140                            | 2,056         |
| Balance at November 30, 2016                 | 3,467                       | 112                            | 3,579         |
| Balance at November 30, 2017                 | 1,906                       | 90                             | 1,996         |
| Balance at November 30, 2018                 | 1,048                       | 72                             | 1,120         |
| Balance at February 28, 2019                 | 930                         | 68                             | 999           |
| <b>Balance at May 31, 2019</b>               | <b>812</b>                  | <b>65</b>                      | <b>877</b>    |

**8. SHARE CAPITAL**

a) Authorized

Unlimited number of common shares with no par value.

b) Private Placement

On December 10, 2018, the Company received \$ 250,000 from InCoR Holdings Limited, as a deposit for a potential private placement upon completion of due diligence procedures.

On May 23, 2019, InCoR Holdings Limited terminated the transaction, and the Company returned a partial payment of \$ 125,000 on May 28, 2019, and the balance of the funds on June 6, 2019

No shares were issued with this proposed transaction

**8. SHARE CAPITAL (CONTINUATION)**

c) Stock Option Plan

The Company has a stock option plan for the benefit of directors, management and certain consultants of the Company. Under the plan, the Company may grant options for up to 20% of the issued common shares. The exercise price of each option may be discounted up to 25% from the market price of the Company's common shares on the date of grant and an option's maximum term is five years.

*During the year ended November 30, 2018:*

During the year ended November 30, 2018, the Company granted 19,300,000 stock options to its directors and consultants to acquire common shares of the Company at a weighted average exercise price of \$0.13 per share expiring between two to three years from the date of grant.

All of these options vest 25% on the grant date, 25% six months from the grant date, 25% nine months from the grant date and 25% twelve months from the grant date.

*During the year ended November 30, 2017:*

On March 13, 2017, the Company granted 1,700,000 stock options (the "2017 March Options") to its directors and consultants to acquire common shares of the Company at an exercise price of \$0.11 per share expiring two years from the date of grant. On June 5, 2017, the Company granted 300,000 stock options (the "2017 June Options") to its directors and consultants to acquire common shares of the Company at an exercise price of \$0.11 per share expiring one year from the date of grant.

The 2017 March Options vest 25% on the grant date, 25% six months from the grant date, 25% nine months from the grant date and 25% twelve months from the grant date. The 2017 June Options vest 25% on the grant date, 25% six months from the grant date, 25% nine months from the grant date and 25% twelve months from the grant date.

The fair value of the options granted were estimated using the Black-Scholes options pricing model with the following assumptions:

|   | <b>2018 Grants</b> | 2017 Grants |
|---|--------------------|-------------|
| Weighted average fair value               | <b>\$0.03</b>      | \$0.07      |
| Risk-free interest rate                   | <b>1.82%</b>       | 0.85%       |
| Dividend yield                            | <b>0.00%</b>       | \$0.00      |
| Expected volatility                       | <b>93.04%</b>      | 107.57%     |
| Weighted average expected life of options | <b>2-3 years</b>   | 1-2 years   |

Option pricing models require the input of highly subjective assumptions including the expected volatility. Changes in the assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the company's stock options. The Company's expected volatility is based on the historical volatility of the Company's share price.

For the year ended November 30, 2018, a total of \$441,054 (2017 - \$174,850) was recorded as share-based compensation expense relating to management and general consulting services.

No stock option grants were made in the six months ended May 31, 2019.

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The continuity schedule of stock options as at November 30, 2018 and 2017 is as follows:

|  | 2018        |                                 | 2017        |                                 |
|--|-------------|---------------------------------|-------------|---------------------------------|
|  | Outstanding | Weighted Average Exercise Price | Outstanding | Weighted Average Exercise Price |
| Balance, beginning of year             | 7,720,000   | \$0.06                          | 20,070,000  | \$0.06                          |
| Increase (decrease):                   |             |                                 |             |                                 |
| Stock options granted                  | 19,300,000  | \$0.13                          | 2,000,000   | \$0.11                          |
| Exercised                              | (5,320,000) | \$0.06                          | (8,825,000) | \$0.06                          |
| Stock options expired/forfeited        | (3,600,000) | \$0.11                          | (5,525,000) | \$0.06                          |
| Balance, end of year                   | 18,100,000  | \$0.13                          | 7,720,000   | \$0.06                          |
| Stock options exercisable, end of year | 11,900,000  | \$0.14                          | 7,020,000   | \$0.05                          |

The following table summarizes information about stock options outstanding as at May 31, 2019:

| Number of Options Outstanding | Number of Options Exercisable | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life Years |
|-------------------------------|-------------------------------|---------------------------------|---|
| 7,000,000                     | 5,250,000                     | \$0.15                          | 1.03  |
| 7,300,000                     | 5,475,000                     | \$0.15                          | 1.10  |
| 3,500,000                     | 875,000                       | \$0.05                          | 2.63  |
| 17,800,000                    | 11,600,000                    |                                 |   |

There were no stock options issued for the six months ended May 31, 2019.

e) Share Purchase Warrants

During the year ended November 30, 2017, the Company issued 10,347,700 share purchase warrants in connection with the private placement (Note 8 (b)). The Company also issued 1,875,000 share purchase warrants to each of Mr. McWilliam and Judith Harder ("Ms. Harder"), previously the Corporate Secretary of the Company until March 17, 2017 and the Chief Executive Officer (the "CEO") of the Company until December 17, 2018, as a bonus (the "Loan Bonus Warrants") in connection with Mr. McWilliam and Ms. Harder's loan advance of up to \$300,000 to the Company (Note 10 (b)). Each Loan Bonus Warrant entitles its holder to acquire one common share of the Company at a price of \$0.08 per share for a period of five years.

The fair value of the Loan Bonus Warrants was \$0.06 estimated using the Black-Scholes options pricing model with risk-free interest rate of 1.69%, dividend yield of 0% expected volatility of 133.16% and expected life of 4 years.

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The following summarizes the share purchase warrants' activities during the year:

|                                | 2018        |                                 | 2017        |                                 |
|--------------------------------|-------------|---------------------------------|-------------|---------------------------------|
|                                | Outstanding | Weighted Average Exercise Price | Outstanding | Weighted Average Exercise Price |
| Balance, beginning of the year | 14,097,700  | \$0.13                          | —           | —                               |
| Increase (decrease)            |             |                                 |             |                                 |
| Warrants granted               | —           | —                               | 14,097,700  | \$0.13                          |
| Balance, end of the year       | 14,097,700  | \$0.13                          | 14,097,700  | \$0.13                          |

The following table summarizes information about share purchase warrants outstanding as at May 31, 2019:

| Number of Warrants Outstanding | Exercise Price | Remaining Contractual Life Expiry Date |
|--------------------------------|----------------|--|
| 3,750,000                      | \$0.08         | October 3, 2022                        |

There were no share purchase warrants issued in the six months ended May 31, 2019.

## 9. INCOME TAXES

|  | 2018      | 2017        |
|--|-----------|-------------|
|  | \$        | \$          |
| Loss before income taxes                   | (809,833) | (1,347,307) |
| Statutory tax rate                         | 27%       | 26%         |
| Expected income tax recovery               | (218,655) | (350,300)   |
| Temporary differences                      | 151,179   | 112,080     |
| Non-deductible expenses                    | 123,462   | 21,666      |
| Change in unrecognized deferred tax assets | (55,986)  | 216,554     |
| Income tax expense                         | —         | —           |

Significant components of the Company's unrecognized deferred income tax assets and liabilities after applying enacted corporate income tax rates are as follows:

|   | 2018      | 2017      |
|---|-----------|-----------|
|   | \$        | \$        |
| Non-capital losses carry forward        | 3,452,860 | 3,231,764 |
| Canadian exploration expenditures       | 1,369,150 | 1,318,441 |
| Unrecognized deferred income tax assets | 4,822,010 | 4,550,205 |

The Company has non-capital losses of approximately \$12,800,000 available to offset future income for income tax purposes which expire in various amount from 2025 to 2038. Due to the uncertainty of realization of these loss carry-forwards, the benefit is not reflected in these consolidated financial statements.

## 10. RELATED PARTY TRANSACTIONS

The related party balances and transactions not disclosed elsewhere in these consolidated financial statements are listed below. Related party transactions in normal course of operations are measured at the exchange amount. Due from and to the related parties are unsecured, and non-interest bearing.

a) The Company has the following balances owed to and from related entities as at May 31, 2019:

- (i) \$460,836 (May 31, 2018 - \$318,540) due to Mr. McWilliam.
- (ii) \$310,864 (May 31, 2018 - \$297,631) due to Ms. Harder.
- (iii) \$124,269 (May 31, 2018 - \$103,116) due to Argentine Frontier Resources Inc. ("AFRI"), an entity controlled by Mr. McWilliam and Ms. Harder.
- (iv) \$11,583 (May 31, 2018 - \$12,623) due to the Company's Chief Financial Officer (the "CFO").
- (v) \$15,126 (May 31, 2018 - \$15,126) due from Cosmos Minerals SA Inc., an entity controlled by Mr. McWilliam and Ms. Harder.
- (vi) \$168,848 (May 31, 2018 - \$168,848) due from Cosmos Minerals S.A. an entity controlled by Mr. McWilliam and Ms. Harder.

b) During the quarter ended May 31, 2019, the Company had the following transactions with related parties:

- (i) The Company settled debt of \$Nil (2018 - \$120,000 with Mr. McWilliam and incurred a loss of \$Nil (2018 - \$40,000).
- (ii) Incurred \$4,500 (2018 - \$4,500) in office rent to AFRI.
- (iii) Incurred \$40,000 (2018 - \$40,000) in management consulting fees to Mr. McWilliam.
- (iv) Incurred \$ NIL (2018 - \$ NIL) in automobile expenses to Mr. McWilliam.
- (v) Incurred \$ NIL (2018 - \$21,000) in management consulting fees to Ms. Harder.
- (vi) Incurred \$17,000 (2018 - \$16,555) in accounting fees to the CFO of the Company.
- (vii) The Company entered into a management agreement with Mr. McWilliam on December 1, 2015, pursuant to which the Company has agreed to pay an annual service fee of \$160,000 plus \$1,100 car allowance per month. The management agreement has an initial term of three years and can be extended another three years.
- (viii) The Company entered into a service agreement with Ms. Harder on December 1, 2015, pursuant to which the Company has agreed to pay an annual service fee of \$84,000. The service agreement has an initial term of one year and is renewable annually.

c) Key management compensation

Key management includes the Chairman of the Company, CEO and CFO. The compensation paid or payable to key management for services during the years ended November 30, 2018 and 2017 is identical to the disclosure above other than share-based payments. During the year ended November 30, 2018, key management received share-based payment of \$199,865 (2017 - \$56,547). Key management personnel were not paid post-employment benefit, termination fees or other long-term benefits during the years ended November 30, 2018 and 2017

## **11. SUPPLEMENTAL DISCLOSURES OF CASH FLOWS**

During the years ended November 30, 2018 and 2017, the Company:

- a) repaid \$37,500 to Ms. Harder for cashless exercise of 750,000 share options at an exercise price of \$0.05 per share (2017 - \$25,000 for cashless exercise of 250,000 stock options at an exercise price of \$0.10 per share)
- b) repaid \$37,500 to Mr. McWilliam for cashless exercise of 750,000 share options with an exercise price of \$0.05 per share (2017 - \$65,000 for cashless exercise of 1,300,000 stock options at an exercise price of \$0.05 per share)
- c) settled accounts payable of \$Nil (2017 – settled accounts payable for \$15,000 for stock options at an exercise price of \$0.05 per share) for non-cash items.
- d) did not pay any interest or income taxes (2017 - \$Nil).

## **12. FINANCIAL INSTRUMENTS**

- a) Management of capital risk

The Company has defined its capital as common shares, contributed surplus and retained earnings. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to maintain appropriate cash reserves on hand to support continued operations and shareholder returns, maintain capital structure while keeping capital costs at a minimum, and to invest cash on hand in highly liquid, highly rated financial instruments. The Company is not exposed to externally imposed capital restrictions, and the Company's objectives and strategies described above have not changed since last year. These objectives and strategies are reviewed on a continuous basis.

- b) Fair value of financial instruments

The Company classified its fair value measure with a fair value hierarchy, which reflects the significance of inputs used in making the measurements as defined in IFRS 7 *Financial Instruments: Disclosures*.

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in market that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity.

As at November 30, 2018, cash and available-for-sale securities were measured at fair value using level 1 input under the fair value hierarchy. As at November 30, 2018, the Company did not have financial instruments measured at fair value on a recurring basis. The fair value of the Company's due from a joint venture partner, accounts payable and accrued liabilities, and loans payable are estimated to approximate their carrying values as at November 30, 2018 and 2017.

- c) Management of industry and financial risk

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations.



**Cascadero Copper Corporation**  
**Notes to Interim Consolidated Financial Statements**  
**For the quarter ended May 31, 2019 and 2018**  
**(Expressed in Canadian dollars - unaudited)**

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The Company's financial instruments are exposed to certain financial risks, which include the following:

*Credit risk*

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is primarily associated with cash and cash equivalents. Risk associated with cash is managed through the use of a reputable financial institution. The carrying amount of financial assets presented on the Company's consolidated statements of financial position represents the maximum credit exposure.

*Liquidity risk*

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. The Company manages liquidity risk by maintaining sufficient cash and cash equivalent balances to enable settlement of transactions on the due date. Management monitors the Company's contractual obligations and other expenses to ensure adequate liquidity is maintained.

*Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

*Currency risk*

The Company undertakes transactions denominated in foreign currencies and as such is exposed to risks due to fluctuations in foreign exchange rates. The Company does not hedge its foreign currency risk, and exposure of the Company's financial assets and liabilities to foreign exchange risk is summarized as follows:

|                  | <b>2018</b>     | 2017     |
|------------------|-----------------|----------|
|                  | <b>\$</b>       | \$       |
| U.S. cash        | <b>2,002</b>    | 8,593    |
| U.S. liabilities | <b>(66,409)</b> | (71,505) |
| Net              | <b>(64,407)</b> | (62,912) |

As at November 30, 2018, with other variables unchanged, a 10% strengthening (weakening) of the U.S. dollar against the Canadian dollar would have increased (decreased) net income by approximately \$6,441.

*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 Company is not exposed to significant interest rate risk.