LATIN METALS INC.
(formerly Centenera Mining Corporation)
(An Exploration Stage Company)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

October 31, 2019 and 2018

Corporate Head Office

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Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF LATIN METALS INC. (FORMERLY "CENTENERA MINING CORPORATION")

Opinion

We have audited the consolidated financial statements of Latin Metals Inc. (the "Company"), which comprise:

- the consolidated statements of financial position as at October 31, 2019 and 2018;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at October 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $807,923 during the year ended October 31, 2019 and has an accumulated deficit of $9,054,381 as of October 31, 2019. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises of the information included in the Management's Discussion & Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, and remain alert for indications that the other information appears to be materially misstated.

We obtained the Management's Discussion & Analysis prior to the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Kevin Yokichi Nishi.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
February 25, 2020

LATIN METALS INC.
(formerly Centenera Mining Corporation)
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
As at October 31

		2019		2018
ASSETS				
Current				
Cash and cash equivalents	$	1,457,653	$	88,793
Receivables		28,020		23,713
Prepaids		37,255		44,824
		1,522,928		157,330
Equipment (note 4)		10,280		12,786
Exploration and Evaluation Assets (note 5)		3,578,793		3,271,525
Total Assets	$	5,112,001	$	3,441,641
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities (note 7)	$	148,481	$	660,276
Loans from related parties (note 7)		162,506		146,304
Total Liabilities		310,987		806,580
Shareholders' Equity				
Share capital (note 6)		12,063,254		9,131,693
Reserves (note 6)		1,792,141		1,749,826
Deficit		(9,054,381)		(8,246,458)
Total Shareholders' Equity		4,801,014		2,635,061
Total Liabilities and Shareholders' Equity	$	5,112,001	$	3,441,641

Nature of operations and going concern (note 1)
Subsequent events (note 16)

Approved on behalf of the Board of Directors on February 25, 2020

"Keith Henderson" Director *"David Cass"* Director

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

LATIN METALS INC.
(formerly Centenera Mining Corporation)
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
Years ended October 31

		2019		2018
Expenses				
Bank charges	$	5,083	$	8,479
Consulting fees (note 7)		240,639		473,725
Depreciation (note 4)		2,506		3,429
Impairment loss on exploration and evaluation assets (note 5)		-		70,106
Impairment loss on VAT receivable		52,228		207,681
Investor relations and promotion		52,078		242,643
Office and general		92,012		139,385
Professional fees		137,058		233,693
Property investigation costs (Note 5)		148,217		-
Recovery of exploration and evaluation assets (note 5)		(153,996)		(3,908)
Regulatory and transfer agent		49,810		34,535
Salaries and benefits (note 7)		191,988		235,561
Share-based compensation (notes 6 and 7)		-		791,971
Travel		22,160		30,605
Loss from operations		(839,783)		(2,467,905)
Gain on settlement of accounts payable (note 6)		-		45,630
Interest income		4,841		
Interest expense		(1,387)		
Finance costs (note 7)		(26,054)		(10,975)
Foreign exchange		54,460		189,191
		31,860		223,846
Loss and comprehensive loss for the year	$	(807,923)	$	(2,244,059)
Basic and Diluted Loss per Share	$	(0.03)	$	(0.12)
Weighted Average Number of Common Shares Outstanding – basic and diluted		29,760,667		18,655,960

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

LATIN METALS INC.
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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

	Share Capital				Total
	Shares	Amount	**Reserves**	**Deficit**	**Shareholders' Equity**
Balance, October 31, 2017	**16,652,352**	**$ 6,935,499**	**$ 894,113**	**$ (6,002,399)**	**$ 1,827,213**
Shares issued for cash:					
Private placement	2,532,722	1,560,740	-	-	1,560,740
Share issue costs	-	(19,966)	-	-	(19,966)
Shares issued for non-cash:					
Property acquisition	517,500	249,600	-	-	249,600
Property acquisition – finders' fees	1,250	1,050	-	-	1,050
Shares issued to settle accounts payable	952,920	408,450	-	-	408,450
Finders' fee - warrants issued	-	(3,680)	3,680	-	-
Loans from related parties - warrants issued (note 7)	-	-	60,062	-	60,062
Share-based compensation (note 6)	-	-	791,971	-	791,971
Loss for the year	-	-	-	(2,244,059)	(2,244,059)
			-		
Balance, October 31, 2018	**20,656,744**	**$ 9,131,693**	**$ 1,749,826**	**$ (8,246,458)**	**$ 2,635,061**
Shares issued for cash					
Private placement	24,798,000	3,099,750	-	-	3,099,750
Share issue costs	-	(125,874)	-	-	(125,874)
Finders' fee - warrants issued	-	(42,315)	42,315	-	-
Net loss for the year	-	-	-	(807,923)	(807,923)
Balance, October 31, 2019	**45,454,744**	**$ 12,063,254**	**$ 1,792,141**	**$ (9,054,381)**	**$ 4,801,014**

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

LATIN METALS INC.
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CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
Years ended October 31

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (807,923)	$ (2,244,059)
Items not affecting cash:		
Finance costs – accretion of loans (note 7)	16,054	6,366
Impairment loss on exploration and evaluation assets	-	70,106
Recovery of exploration and evaluation assets (Note 5)	(153,996)	(3,908)
Gain on settlement of accounts payable	-	(45,630)
Share-based compensation	-	791,971
Depreciation	2,506	3,429
Changes in non-cash working capital items:		
Receivables	(4,307)	(3,676)
Prepaids	7,569	68,441
Accounts payable and accrued liabilities	(198,712)	696,291
Net cash outflow from operating activities	(1,138,809)	(660,669)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	-	(1,099)
Option proceeds on exploration and evaluation asset	184,936	131,040
Expenditures on exploration and evaluation assets	(651,291)	(1,959,266)
Net cash outflow from investing activities	(466,355)	(1,829,325)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placement	3,099,750	1,560,740
Share issuance costs	(125,874)	(19,966)
Loans from related parties	197,758	200,000
Repayment of loans	(197,610)	-
Net cash inflow from financing activities	2,974,024	1,740,774
Change in cash and cash equivalents for the year	1,368,860	(749,220)
Cash and cash equivalents, beginning of the year	88,793	838,013
Cash and cash equivalents, end of the year	$ 1,457,653	$ 88,793

Composition of Cash and Cash Equivalents		
Cash	$ 457,653	$ 88,793
Cash equivalents	1,000,000	-
Total cash and cash equivalents	$ 1,457,653	$ 88,793

Supplemental disclosure with respect to cash flows (note 8)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Latin Metals Inc. (the "Company") (formerly Centenera Mining Corporation) was incorporated under the laws of the Province of British Columbia, Canada on January 9, 2006. The Company's principal business activity is the acquisition, exploration and evaluation of mineral properties located in South America. The Company operates with a Prospect Generator model focusing on the acquisition of prospective exploration properties at minimum cost, completing initial evaluation through cost-effective exploration to establish drill targets, and ultimately securing joint venture partners to fund drilling and advanced exploration. Shareholders are exposed to the upside of a significant discovery without the dilution associated with funding the highest-risk drill-based exploration. On May 27, 2019, the Company changed its name from Centenera Mining Corporation to Latin Metals Inc. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "LMS".

The head office and principal address of the Company is Suite 2300 – 1177 West Hastings Street, Vancouver, BC, V6E 2K3, Canada. The registered and records offices of the Company are located at Suite 1170 – 1040 West Georgia Street, Vancouver, BC, V6E 4H1, Canada.

Effective May 23, 2019, the Company consolidated its common shares on a 4:1 basis. These consolidated financial statements reflect the share consolidation on a retrospective basis.

As at October 31, 2019, the Company has working capital of $1,374,447 (2018 – working capital deficit of $502,946) and an accumulated deficit of $9,054,381 (2018 - $8,246,458). During the year ended October 31, 2019, the Company incurred net loss of 807,923 (2018 – 2,244,059).

The Company is in the process of exploring and developing its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production or proceeds from the disposition thereof.

These consolidated financial statements have been prepared under the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have financial resources to sustain operations in the long term. There is no assurance that future financings will be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements do not reflect the adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PREPARATION

Basis of presentation

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 Board of Directors approved the consolidated financial statements on February 25, 2020.

2. BASIS OF PREPARATION *(Cont'd…)*

Basis of presentation (continued)

These consolidated financial statements have been prepared on the historical cost basis, except for financial assets and liabilities recorded at fair value, and include the accounts of the Company and its wholly-owned subsidiaries outlined under principles of consolidation. Intercompany balances and transactions are eliminated on consolidation. These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The presentation and functional currency of the Company is the Canadian dollar.

Effective November 1, 2018, the Company adopted IFRS 9 *Financial Instruments* ("IFRS 9"). IFRS 9 was adopted retrospectively with no restatement of comparative periods, as permitted by the transition provisions of the standard.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries as follows:

Subsidiary	Proportion of Ownership Interest	Country of Incorporation	Principle Activity
Cardero Argentina S.A.	100%	Argentina	Exploration
1054749 B.C. Ltd.	100%	Canada	Holding

The Company consolidates its subsidiaries on the basis that it controls the subsidiary through its ability to govern its financial and operating activities.

All intercompany transactions and balances are eliminated on consolidation.

Management consolidates all subsidiaries and entities which it is determined that the Company controls. Control is evaluated on the ability of the Company to direct the activities of the subsidiary or entity to derive variable returns and management uses judgement in determining whether control exists. Judgement is exercised in the evaluation of the variable returns and in determining the extent to which the Company has the ability to exercise its power to generate variable returns.

Reporting currency and foreign currency translation

The consolidated financial statements of the Company are presented in Canadian dollars, which is the functional currency of the parent company and its' subsidiaries.

Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that the Company has made in the preparation of the consolidated financial statements.

2. BASIS OF PREPARATION *(Cont'd…)*

Exploration and evaluation assets impairment

At the end of each reporting period, the Company assesses each of its exploration and evaluation assets or cash-generating units ("CGUs") to determine whether any indication of impairment exists. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The Company has used geographical proximity, geological similarities, analysis of shared infrastructure, commodity type, assessment of exposure to market risks and materiality to define its CGUs.

Judgment is required in determining whether indicators of impairment exist, including factors such as: the period for which the Company has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of resource properties are budgeted or planned and results of exploration and evaluation activities on the exploration and evaluation assets. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value less costs to sell is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) 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 CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Going concern

The assumption that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate.

Functional currency determination

The functional and presentation currency of the Company is the Canadian dollar. The functional currency of the Company's subsidiaries is the Canadian dollar, based on management's assessment of whether a specific subsidiary is a standalone operation or integrated with the operations of the parent company. Should management's judgment about the nature of a subsidiary differ from its actual nature, a material difference in the cumulative translation adjustment and or foreign exchange gain or loss could result.

Share-based payments

Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and are expensed to net loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option/warrant. Changes in these input assumptions can significantly affect the fair value estimate.

2. BASIS OF PREPARATION *(Cont'd…)*

Fair value of loans

The determination of the fair value of loans requires the input of highly subjective assumptions, including the expected discount rate. Changes in the input assumptions could materially affect the fair value estimate.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents includes highly liquid investments with original maturities of three months or less from the date of purchase, that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of change in value.

Exploration and evaluation assets

Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred.

Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option. Property option agreements are exercisable entirely at the option of the optionee. Therefore, option payments (or recoveries) are recorded when payment is made (or received) and are not accrued. Option payments received are treated as a reduction in the carrying value of the related acquisition costs of the exploration and evaluation asset until the payments are in excess of acquisition costs, at which time they are then credited to profit or loss as gain on disposal of exploration and evaluation assets.

Exploration and evaluation expenditures are capitalized. Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized for the related property.

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

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

After technical feasibility and commercial viability of extracting a mineral resource is demonstrable, the Company tests the asset or CGU for impairment. The capitalized balance, net of any impairment recognized, is then reclassified to either tangible or intangible mine development assets according to the nature of the asset and is classified as a component of property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd…)*

Impairment of tangible and intangible assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value less costs to sell is determined as the amount that would be obtained from the sale of the asset price received to sell an asset in an orderly transaction between market participants. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the CGU to which the asset belongs.

Restoration and environmental obligations

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. A pre-tax discount rate that reflects the time value of money is used to calculate the net present value The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The Company does not have any significant rehabilitation obligations as at and for the years presented.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded as share-based compensation expense, with the offset to reserves. The fair value of options is determined using a Black-Scholes option pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

All equity-settled share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid. For those unexercised options and share purchase warrants that expired, the recorded value remains in reserves.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd…)*

Loss per share

Basic loss per share is calculated on the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average number of shares outstanding is increased to include additional shares from the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and the proceeds from such exercises were used to acquire shares of common stock at the average market price during the reporting period. The Company has included total escrow shares in the calculation as they are subject to a timed release. In the Company's case, diluted loss per share presented is the same as basic loss per share as the effect of outstanding options and warrants in the diluted loss per common share calculation would be anti-dilutive.

Unit bifurcation

The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as part of units. The residual value method first allocates value to common shares issued in the private placements at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the warrants. Any fair value attributed to the warrants is recorded in reserves.

Financial instruments

Financial Assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Assessment and decision on the business model approach used is an accounting judgement.

Financial assets measured at amortized costs

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost:

- The Company's business model for such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value less transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd…)*

Financial instruments (continued)

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

For financial assets that are not held for trading, the Company can make an irrevocable election at initial recognition to classify the instruments at fair value through other comprehensive income ("FVTOCI"), with all subsequent changes in fair value being recognized in other comprehensive income. This election is available for each separate investment. Under this new FVTOCI category, fair value changes are recognized in OCI while dividends are recognized in profit or loss. The Company does not have any financial assets designated as FTVOCI.

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

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The expected credit loss model requires the Company to account for expected credit losses ("ECL") and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

Financial Liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

As at October 31, 2019, the Company's financial instruments are comprised of cash and cash equivalents, receivables, related party loans, and accounts payable and accrued liabilities.

The Company classifies and discloses fair value measurements based on a three-level hierarchy:

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd…)*

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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 date of the statement of financial position.

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. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the excess.

New standards and interpretations

<u>Adoption of Accounting Standards</u>

On November 1, 2018, the Company adopted the following accounting pronouncement retrospectively with no restatement of comparative periods and no change to the opening deficit balance as at November 1, 2018, under the IFRS 9 transition provisions:

IFRS 9 Financial Instruments

The Company adopted IFRS 9 with a date of initial application as of November 1, 2018. IFRS 9 provides a revised model for classification and measurement of financial assets, including a new expected credit loss ("ECL") impairment model. The revised model for classifying financial assets results in classification according to their contractual cash flow characteristics and the business model under which they are held. IFRS 9 also introduces a reformed approach to hedge accounting. IFRS 9 largely retains the existing requirements in IAS 39 *Financial Instruments: Recognition and Measurement* for the classification of financial liabilities.

As a result of the adoption of IFRS 9, the Company has changed its accounting policy for financial instruments retrospectively. There were no material changes in the measurement and carrying values of the Company's financial instruments as a result of the adoption. IFRS 9 does not require restatement of comparative periods.

The Company's financial instruments are accounted for as follows under IFRS 9 as compared to the Company's previous policy in accordance with IAS 39.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd…)*

New standards and interpretations (continued)

	November 1, 2018	
	IAS 39	**IFRS 9**
Financial Asset		
Cash and cash equivalents	Fair value through profit and loss ("FVTPL")	FVTPL
Receivables	Amortized cost	Amortized cost
Financial Liability		
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Loans from related parties	Amortized cost	Amortized cost

As at October 31, 2018, the Company did not have a loss allowance under IAS 39. As such, with the adoption of IFRS 9, the expected credit loss allowance at November 1, 2018 was $nil.

<u>Recent Accounting Pronouncements</u>

Standards and interpretations issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below and include only those which the Company reasonably expects may be applicable to the Company at a future date. The Company intends to adopt these standards and interpretations when they become effective.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases.

This standard is applicable to the Company's annual period beginning on or after November 1, 2019 and the Company will apply the standard retrospectively with the cumulative effect of initially applying the standard recognized as an adjustment to the opening balance of retained earnings or deficit that date, subject to permitted practical expedients, therefore the Company will not restate comparative information.

As at November 1, 2019 it is expected that there will be no impact from adoption of this standard.

(Expressed in Canadian dollars)

4. EQUIPMENT

		Office Equipment
Cost		
Balance, October 31, 2017	$	19,987
Additions		1,099
Balance, October 31, 2018	$	21,086
Additions		-
Balance, October 31, 2019	$	21,086
Accumulated depreciation		
Balance, October 31, 2017	$	4,871
Depreciation		3,429
Balance, October 31, 2018	$	8,300
Depreciation		2,506
Balance, October 31, 2019	$	10,806
Carrying amounts		
At October 31, 2018	$	12,786
At October 31, 2019	$	10,280

5. EXPLORATION AND EVALUATION ASSETS

Title to Mineral Property Interests

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfer and may be affected by undetected defects.

Organullo Property – Argentina

Pursuant to an agreement dated October 1, 2004, between the Company and an Argentinean individual, the Company purchased a 100% interest in eight mines in Salta Province, Argentina, in consideration of the issuance of 70,000 common shares (issued).

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS *(Cont'd…)*

Organullo Property – Argentina (continued)

During the year ended October 31, 2018, the Company entered into an option agreement with Yamana Gold Inc. ("Yamana") for Yamana to acquire up to a 70% interest in the Organullo property subject to:

(i) Yamana making payment to the Company in the aggregate of US$1,250,000 over a five-year period from the effective date as outlined below.

Date received	Cash Payment (US)
October 17, 2018 (received)	$ 100,000
October 17, 2019 (received)	100,000
October 17, 2020	150,000
October 17, 2021	200,000
October 17, 2022	200,000
Upon delivery of option exercise notice	500,000
Total	$ 1,250,000

During the year ended October 31, 2019, Yamana made the second payment of US$100,000 (CAD $132,000) resulting in a recovery of $132,000 in profit and loss.

(ii) Yamana preparing a pre-feasibility study that reports an aggregate measured and indicated mineral resource of at least 1,000,000 equivalent ounces, at the sole cost of Yamana.

(iii) Yamana incurring expenditures of at least US$5,000,000 on or prior to the fourth anniversary of the effective date as follows: US $1,250,000 on prior to October 17, 2020 and the balance of US $3,750,000 on or prior to October 17, 2022.

Upon the exercise of the option, Yamana and Latin Metals shall be deemed to have formed a joint venture (JV) with the initial JV interests being 70% as to Yamana and 30% as to Latin Metals; provided that prior to or concurrently with the exercise of the Option, Yamana shall have a top-up right to acquire an additional 5% interest in the project (being 75% in aggregate) by making a cash payment to Latin Metals equal to US$3.00 per gold equivalent ounce of Measured and Indicated Mineral Resources reported in the PFS.

Mina Angela Property – Argentina

The Company entered into an acquisition agreement in April 2004, pursuant to which the Company acquired a 100% interest in mineral concessions in Chubut Province, Argentina, subject to a 1% NSR to the vendor, in consideration of aggregate cash payments to the vendor of US$400,000 (paid). The Company owns a 100% interest in the property.

During the year ended October 31, 2019, the Company signed an offer letter with Patagonia Gold Corp. ("Patagonia") to option out the Mina Angela Property. To exercise the Option in full, Patagonia will be required to make payments to the Company in the aggregate amount of US$1 million cash and Patagonia will be required to grant to the Company a 1% net smelter returns royalty ("NSR Royalty") on any future production from the Project. The offer letter was accepted by Patagonia on August 12, 2019 and Patagonia has made the initial cash payment of US$40,000 (CAD $52,936) to the Company, under the offer letter's proposed commercial terms as follows:

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS *(Cont'd…)*

Mina Angela Property – Argentina (continued)

Schedule of payments	Cash Payment (US)	Royalty Payments	Cumulative Earned Interest
Within ten days from acceptance of the offer letter (received)	$ 40,000	-	-
Upon signing the definitive agreement	250,000	-	-
Upon exercising the option (within six months of signing the definitive agreement)	250,000	-	100%
Within thirty days of verification that the legal restrictions preventing development of mining activity in the Chubut Province and at the Project have been lifter (to Patagonia's satisfaction)	500,000	-	100%
Commencement of production on the project	-	1% NSR Royalty	100%

During the year ended October 31, 2019, the Company received the initial option payment of US $40,000 (CAD $52,936) resulting in a recovery of $21,996 in profit and loss

The closing of the acquisition of Mina Angela by Patagonia is subject to certain customary closing conditions, including the closing of a definitive agreement. As of February 25, 2020, the Company has not entered into the Definitive agreement.

El Quemado – Argentina

The Company entered into an option agreement to acquire a 100% interest in the El Quemado tantalum-niobium bismuth-lithium pegmatite project in Salta Province, Argentina (the "Option"). In consideration the Company has issued 625,000 common shares as follows:

Date issued	Shares
September 20, 2016	25,000
March 15, 2017	41,250
September 15, 2017	66,250
March 15, 2018	135,000
September 15, 2018	357,500
Total	625,000

Upon final issuance of the Company's common shares on September 15, 2018, the Company was deemed to have exercised the Option, and has earned a 100% legal and beneficial interest in the project, subject to a 2% NSR to be granted to the vendor. The Company will have a right to buy one-half of the NSR for US$750,000. If the Company abandons the project after exercising the option, the project shall revert back to the vendor, subject to a 1% NSR to be granted to the Company.

El Penon – Argentina

During the year ended October 31, 2018, the Company terminated the property option agreement. As a result, the Company wrote off cumulative costs incurred to date on the El Penon project of $70,106 as an impairment loss, determined in accordance with Level 3 of the fair value hierarchy.

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS *(Cont'd…)*

Esperanza – Argentina

The Company entered into an option agreement to acquire a 100% interest in the Esperanza copper-gold porphyry deposit located in the San Juan Province, Argentina. On July 9, 2018 and amended in June 2019, the Company entered into a definitive property option agreement on the property.

Under the definitive property option agreement, the Company has the right to earn a 100% interest in the project through the payment of US$2,306,000 and the issuance of common shares in the Company valued at US$500,000 (at the time of issuance) to the vendor, as follows:

Date issued	Cash Payment (US)	Value of Shares (US)
Effective date (paid)	$ 80,000	$ -
December 15, 2017 (paid)	83,000	-
June 15, 2018 (paid)	45,000	-
September 20, 2018 (paid)	10,000	-
October 2, 2018 (paid)	10,000	-
October 30, 2018 (paid)	25,000	-
June 15, 2019 (paid)	150,000	-
June 15, 2021(1)	300,000	-
December 15, 2021	500,000	250,000
December 15, 2022	1,103,000	250,000
Total	$ 2,306,000	$ 500,000

During the year-ended October 31, 2019, the Company made an option payment of US $150,000 (CAD $197,910) in accordance with the payment schedule above.

(1) In the event that drilling commences at Esperanza prior to the payment date of June 15, 2021, a payment of US$150,000 will be made, which amount shall be subtracted from the US$300,000 payment due on June 15, 2021.

Upon completion of the option payments and share issuances, the Company will be deemed to have exercised the option and will have earned an undivided 100% legal and beneficial interest in and to the project, subject to a 2% NSR to be granted to the vendor. The Company will have a right to buy back 0.5% of the NSR for US$1,000,000, at which time the NSR payable to the vendor shall be 1.5%.

A finder's fee in the amount of US$172,800, is payable in common shares of the Company over six years.

Date issued	Amount (US)	Finder's Shares Issued
Within 10 business days of effective date (paid and issued)	$15,580	17,705
December 15, 2018 (*)	6,466	-
June 15, 2019 (*)	6,528	-
December 15, 2019 (*)	7,266	-
June 15, 2020	7,390	-
December 15, 2020	8,745	-
June 15, 2021	8,745	-
December 15, 2021	41,260	-
June 15, 2022	70,820	-
Total	$172,800	17,705

(*) Subsequent to year-end, the Company issued 215,415 common shares as finders fees (note 13).

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS *(Cont'd…)*

Tres Cerros - Argentina

The Company entered into three option agreements pursuant to which the Company was granted options to acquire a 100-per-cent interest in eight properties, which form the following groups of properties: (i) the Cerro Bayo and La Flora properties; (ii) the Aylen, Aylen Oeste and Pedro properties; and (iii) the Fiorentina, Fiorentina Norte and Aguila Mora properties, each located in Argentina. The Company can earn an initial 80% interest (the "First Option"), followed by the remaining 20% interest (the "Second Option"), subject to certain royalty conditions. The aggregate acquisition cost of the First Option for all three property groups will be USD $2,887,500 payable in cash and 4,050,000 common shares of the Company. The consideration the Company is required to pay and issue shares is as flows.

Cerro Bayo & La Flora Properties

Date	Cash Payments (US)	Shares	Cumulative Earned Interest
5 business days from conditional TSX-V acceptance (April 8, 2019) (paid)	$12,500	-	-
April 8, 2020	25,000	87,500	-
April 8, 2021	50,000	112,500	-
April 8, 2022	75,000	137,500	35%
April 8, 2023	100,000	237,500	51%
April 8, 2024	200,000	325,000	71%
April 8, 2025	500,000	450,000	80%
Total	$962,500	1,350,000	-

During the year ended October 31, 2019, prior to the signing of the agreement, the Company made the first payment of US $12,500 (CAD $16,694) which is included in property investigation costs.

For a period of 120 days after the exercise of the First Option for each property group, the Company will have the Second Option to acquire the remaining 20% (aggregate 100%) interest in that property group, by making a cash payment of $400,000 and issuing shares in the capital of the Company valued at $400,000 to the vendors, subject to a 0.75% NSR royalty, of which two-thirds of the royalty (0.5%) can be purchased at any time for $1,000,000.

Aylen, Aylen Oeste and Pedro

Date	Cash Payments (US)	Shares	Cumulative Earned Interest
5 business days from conditional TSX-V acceptance (April 8, 2019) (paid)	$12,500	-	-
April 8, 2020	25,000	87,500	-
April 8, 2021	50,000	112,500	-
April 8, 2022	75,000	137,500	35%
April 8, 2023	100,000	237,500	51%
April 8, 2024	200,000	325,000	71%
April 8, 2025	500,000	450,000	80%
Total	$962,500	1,350,000	-

During the year ended October 31, 2019, prior to the signing of the agreement, the Company made the first payment of US $12,500 (CAD $16,694) which is included in property investigation costs.

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS *(Cont'd…)*

Aylen, Aylen Oeste and Pedro (continued)

For a period of 120 days after the exercise of the First Option for each property group, the Company will have the Second Option to acquire the remaining 20% (aggregate 100%) interest in that property group, by making a cash payment of US $400,000 and issuing shares in the capital of the Company valued at US $400,000 to the vendors, subject to a 0.75% NSR royalty, of which two-thirds of the royalty (0.5%) can be purchased at any time for US $1,000,000.

Fiorentina, Fiorentina Norte & Aguila Mora Properties

Date	Cash Payments (US)	Shares	Cumulative Earned Interest
5 business days from conditional TSX-V acceptance (April 8, 2019) (paid)	$12,500	-	-
April 8, 2020	25,000	87,500	-
April 8, 2021	50,000	112,500	-
April 8, 2022	75,000	137,500	35%
April 8, 2023	100,000	237,500	51%
April 8, 2024	200,000	325,000	71%
April 8, 2025	500,000	450,000	80%
Total	$962,500	1,350,000	-

During the year ended October 31, 2019, prior to the signing of the agreement, the Company made the first payment of US $12,500 (CAD $16,694) which is included in property investigation costs.

For a period of 120 days after the exercise of the First Option for each property group, the Company will have the Second Option to acquire the remaining 20% (aggregate 100%) interest in that property group, by making a cash payment of US $400,000 and issuing shares in the capital of the Company valued at US $400,000 to the vendors, subject to a 0.75% NSR royalty, of which two-thirds of the royalty (0.5%) can be purchased at any time for US $1,000,000.

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS *(Cont'd…)*

	Organullo	Mina Angela	El Quemado	El Penon	Esperanza	Other Argentina	Total
Balance, October 31, 2017	**$ 110,033**	**$ 22,541**	**$ 329,232**	**$ 42,988**	**$ 431,738**	**$ -**	**$ 936,532**
Acquisition costs							
Cash payments (proceeds)	(131,040)	-	-	-	255,686	-	124,646
Shares issued	-	-	228,600	22,050	-	-	250,650
Total acquisition costs	(21,007)	22,541	557,832	65,038	687,424	-	1,311,828
Deferred exploration costs							
Assay	-	-	-	-	35,336	-	35,336
Camp Costs	-	-	-	-	985,432	-	985,432
Claim maintenance	12,794	5,122	11,759	3,210	8,326	-	41,211
Consulting	-	-	-	-	422,136	-	422,136
Drilling	-	-	-	-	358,068	-	358,068
Field	-	-	-	1,858	157,084	-	158,942
Reports	4,305	-	7,336	-	13,129	-	24,770
Total exploration costs for the year	17,099	5,122	19,095	5,068	1,979,511	-	2,025,895
Impairment	-	-	-	(70,106)	-	-	(70,106)
Recovery	3,908	-	-	-	-	-	3,908
Balance, October 31, 2018	**$ -**	**$ 27,663**	**$ 576,927**	**$ -**	**$ 2,666,935**	**$ -**	**$ 3,271,525**
Acquisition costs							
Cash payments (proceeds)	(132,000)	(52,936)	-	-	197,910	-	12,974
Total acquisition costs	(132,000)	(52,936)	-	-	197,910	-	12,974
Deferred exploration costs							
Camp Costs	-	-	-	-	128,286	-	128,286
Claim maintenance	-	3,277	8,359	-	-	376	12,012
Total exploration costs for the period	-	3,277	8,359	-	326,196	376	140,298
Recovery	132,000	21,996	-	-	-	-	153,996
Balance, October 31, 2019	**$ -**	**$ -**	**$ 585,286**	**$ -**	**$ 2,993,131**	**$ 376**	**$ 3,578,793**

6. SHARE CAPITAL AND RESERVES

a. Authorized

Unlimited number of voting common shares without nominal or par value.

b. Share issuances

During the year ended October 31, 2019, the Company issued the following Shares:

- On June 19, 2019, the Company completed a non-brokered private. The Company issued a total of 24,798,000 shares priced at $0.125 per share for gross proceeds $3,099,750. The Company paid finders fees on a portion of the financing of $125,874 cash share issuance costs and 872,900 broker warrants, valued at $42,315 using the Black-Scholes option model, which entitles the holder to purchase one common share of the Company for $0.125 for a period of 12 months from the closing of the financing.

During the year ended October 31, 2018, the Company issued the following Shares:

- The Company negotiated debt settlements with various arm's length creditors by issuing 952,920 common shares with a fair value of $408,450, to settle aggregate accounts payable of $454,080. As a result, the Company recorded a gain on settlement of accounts payable of $45,630.

- The Company completed a non-brokered private placement of 1,095,083 units at a price of $0.48 per unit for gross proceeds of $525,640. Each unit consists of one common share of the Company and one warrant. Each warrant entitles the holder thereof to purchase an additional common share for $0.80 until July 4, 2021. The Company also paid cash finder's fees in the amount of $6,915.

- The Company completed a non-brokered private placement of 1,437,639 units at a price of $0.72 per unit for gross proceeds of $1,035,100. Each unit consists of one common share of the Company and one warrant. Each warrant entitles the holder thereof to purchase an additional common share for $1.20 until June 29, 2019. The Company also paid cash finder's fees and other issuance costs in the amount of $13,051 and issued 10,938 finders' warrants valued at $3,680 using the Black-Scholes option model. Each finders' warrant entitles the holder to acquire an additional common share of the Company at a price of $0.72 until June 29, 2019.

- The Company issued 517,500 common shares for property acquisitions (exploration and evaluation assets) at a fair value of $249,600. These common shares were issued in connection with the option agreements to acquire the El Penon and El Quemado projects. The Company additionally issued 1,250 bonus common shares to finders at a fair value of $1,050 in connection with the El Penon project.

(Expressed in Canadian dollars)

6. SHARE CAPITAL AND RESERVES *(Cont'd…)*

c. Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may, from time to time, in its discretion, and in accordance with the TSX-V requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed a rolling 10% of the Company's issued and outstanding common shares at the time the options are granted. Such options will be exercisable for a period of up to five years from the date of grant. Vesting of stock options is at the discretion of the Board of Directors.

Stock option transactions are summarized as follows:

	October 31, 2019		**October 31, 2018**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of the year	2,027,500	$ 0.76	200,000	$ 1.00
Granted	-	$ -	2,027,500	$ 0.76
Cancelled	(2,027,500)	$ 0.76	-	$ -
Expired	-	$ -	(200,000)	$ 1.00
Option outstanding, end of the period	-	$ -	2,027,500	$ 0.76

The weighted average remaining contractual life of options outstanding at October 31, 2019 was Nil (2018 - 3.67) years.

The Company uses the Black-Scholes option pricing model to value stock options granted and compensatory warrants issued. The model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values. The following weighted average assumptions were used:

	October 31, 2019	**October 31, 2018**
Risk-free interest rate	1.59%	1.75%
Expected life of options	1	4.48
Annualized volatility	100%	191.95%
Dividend rate	0%	0%
Forfeiture rate	0%	0%

The risk-free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected life of options is the average expected period to exercise, based on historical activity patterns. Volatility is based on available historical volatility of the Company's share price.

Share-based compensation expense for the year ended October 31, 2019 totaled $Nil (2018 - $791,971).

(Expressed in Canadian dollars)

6. SHARE CAPITAL AND RESERVES *(Cont'd…)*

d. Warrants

The following common share purchase warrants entitle the holders thereof to purchase one common share for each warrant. Warrants transactions are as follows:

	October 31, 2019		October 31, 2018	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning of the year	2,900,804	$ 0.96	-	$ -
Warrants issued – attached to units	-	$ -	2,532,722	$ 1.04
Warrants issued – loans from related parties	-	$ -	357,144	$ 0.56
Warrants issued – finders'	872,900	$ 0.13	10,938	$ 0.72
Expired	(1,448,577)	$ 1.20	-	$ -
Warrants outstanding, end of the year	2,325,127	$ 0.51	2,900,804	$ 0.96

The weighted average remaining contractual life of warrants outstanding at October 31, 2019, was 1.04 (2018 – 1.66) years.

7. RELATED PARTY TRANSACTIONS

Key management personnel compensation

The Company's key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company's key management personnel comprises officers and directors of the Company. Key management personnel compensation is as follows:

For the years ended October 31	2019	2018
Salaries and benefits to CEO	$ 150,000	$ 150,000
Consulting fees to CFO *	50,000	60,000
Share-based compensation to CEO, CFO and directors	-	499,312
	$ 200,000	$ 709,312

*Amount above is paid to a personal service corporation for personnel that is acting as key management of the Company.

Transactions with other related parties:

For the years ended October 31	2019	2018
Consulting fees - Corporate Secretary	$ 24,000	$ 24,000
Rent - Marvel Office Management Ltd., a company with directors in common	22,933	38,000
Share-based compensation to Corporate Secretary	-	29,011
	$ 46,933	$ 91,011

(Expressed in Canadian dollars)

7. RELATED PARTY TRANSACTIONS *(Cont'd…)*

Investment from associate

As at October 31, 2019, Cardero Resource Corp. ("Cardero") did not own any of the Company's issued common shares (October 31, 2018 – 26.16%). At October 31, 2019, the Company owned 100% of Cardero Argentina's issued common shares except for one share held by Hendrik van Alphen (a director of both Cardero and the Company). Cardero is a public company with common shares listed on the TSX.V.

Loans from related parties

During the year ended October 31, 2018, the Company secured loans in the amount of $100,000 from each of the CEO and a director of the Company totalling $200,000 (the "Loans"). The Loans have a three-year term and bear interest at the rate of 5% per annum compounded annually, payable on the maturity date. In connection with the Loans, the Company issued 178,571 common share purchase warrants to each of the lenders. Each warrant entitles the holder to purchase one common share of the Company for a period of three years at an exercise price of $0.56 per share.

On inception, the Company allocated the total proceeds received between the liability and equity components (warrants) using the residual method, based on a discount rate of 17%, which is the estimated cost at which the Company could borrow similar debt without any equity instruments attached. The liability component is measured at amortized cost and is accrued over the term to maturity using the effective interest method. The equity component is presented as a component of shareholders' equity.

The continuity of the Loans is as follows:

		2019		2018
Opening balance	$	146,304	$	-
Additions		-		200,000
Portion allocated to warrants issued		-		(60,062)
Accretion to face value of the Loans – finance costs		16,054		6,366
Ending balance	$	162,358	$	146,304

During the year ended October 31, 2019, the Company accrued interest expense in connection with the Loans in the amount of $10,000 (2018 - $4,121), which is presented as part of finance costs and included in accounts payable and accrued liabilities.

During the year ended October 31, 2019, the Company obtained additional financing from related parties of $197,758 of which $197,610 has been repaid as of October 31, 2019. These loans were interest-free and did not contain specific terms of repayment.

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash investing and financing activities during the year ended October 31, 2019, consisted of:

- Accrued $18,218 of exploration and evaluation assets in accounts payable and accrued liabilities
- Finders' warrants issued with a fair value of $42,315

(Expressed in Canadian dollars)

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS *(Cont'd…)*

Significant non-cash investing and financing activities during the year ended October 31, 2018, consisted of:

- Shares issued at a fair value of $408,450 for the settlement of accounts payable in the amount of $454,080
- Shares issued for the property acquisitions (exploration and evaluation assets) and related finders' shares at a fair value of $250,650.
- Finders' warrants issued with a fair value of $3,680.
- Accrued $331,301 of exploration and evaluation assets in accounts payable and accrued liabilities.

9. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes for the years ended October 31, 2019 and 2018, is as follows:

	2019	2018
Loss for the year	$ (807,923)	$ (2,244,059)
Statutory income tax rate	27.00%	26.83%
Expected income tax recovery	(218,139)	(602,081)
Non-deductible, deductible and other items	-	138
Differences between Canadian and foreign tax rates	(4,926)	(44,518)
Change in timing differences	(18,451)	465,601
Effect of change in tax rates	(105,012)	(62,283)
Impact of foreign exchange on tax assets and liabilities	-	(122,817)
Under(over) provided in prior years	(8,825)	-
Unused tax losses and tax offsets	355,353	365,960
Income tax expense	$ -	$ -

Significant unrecognized tax benefits and unused tax losses for which no deferred tax asset is recognized as of October 31, are as follows:

	2019	2018
Deferred income tax asset from non-capital losses	$ 932,155	$ 1,016,555
Deferred income tax liability from exploration and evaluation assets	(932,155)	(1,016,555)
Net deferred income tax assets	$ -	$ -

The significant components of the Company's unrecognized deferred income tax assets as at October 31, 2019, and 2018 are as follows:

	2019	2018
Losses carried forward	$ 948,989	$ 825,964
Exploration and evaluation assets	3,118,130	2,042,011
Equipment	12,450	9,945
Share issue costs	143,344	65,152
Net deferred income tax assets not recognized	$ 4,222,913	$ 2,943,072

9. INCOME TAXES *(Cont'd…)*

At October 31, 2019, the Company has approximately $8,664,740 in non-capital losses for Canadian and Argentinean tax purposes. These losses, if not utilized, will expire between 2020 and 2038. Future tax benefits that may arise as a result of these non-capital losses have not been recognized in these consolidated financial statements due to the uncertainty of their realization.

10. CONTINGENCY

On November 13, 2016, a university student who accompanied the Company's El Quemado exploration project team in Salta Province, Argentina, died after becoming suddenly ill. After his death, the criminal prosecutor's office in Salta had formally charged the geologist in charge of the work and the President of the Company's Argentine subsidiary, Cardero Argentina S.A. with culpable homicide. In addition, the parents of the deceased had commenced a civil action against the aforesaid persons and Cardero Argentina S.A. for economic reparations.

On May 5, 2018, Cardero Argentina S.A. settled the civil action with the parents of the deceased that was brought against the Company's President and the geologist in charge of the work, without acknowledging of fault. The Company, through its comprehensive general liability insurance, was able to mitigate its cost and no amount was accrued in these consolidated financial statements.

11. FINANCIAL RISK MANAGEMENT AND MANAGEMENT OF CAPITAL

Fair value

The fair values of the Company's receivables, net of input tax credits, loans from related parties, and accounts payable and accrued liabilities approximate their carrying amounts due to their short term nature.

Fair value hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities which include cash;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash and cash equivalents have been fair valued using Level 1 of the fair value hierarchy.

11. FINANCIAL RISK MANAGEMENT AND MANAGEMENT OF CAPITAL *(Cont'd…)*

Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, and receivables. Cash and cash equivalents are maintained with financial institutions of reputable credit and are redeemable on demand.

The carrying amount of the receivables, represents the maximum credit exposure.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company is engaged in ongoing evaluation of opportunities to improve its financial position which includes, but is not limited to, additional equity financings, obtaining exploration partners and/or the sale of assets. At October 31, 2019, the Company has working capital of $1,374,447 (2018 – working capital deficit of $502,946). At October 31, 2019, the Company had accounts payable and accrued liabilities of $148,481 (2018 - $660,276, which are due within 30 days of year-end.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no outstanding debt subject to variable interest. Accordingly, the Company does not believe it is exposed to significant interest rate risk on its cash balances which are held in accounts subject to variable rates.

Foreign exchange risk

The Company is exposed to foreign currency risk to the extent that monetary financial instruments are denominated in United States and Argentinean currencies. The Company's operating expenses are incurred primarily in Canadian dollars; its exploration programs are primarily in Argentina and are denominated in either United States dollars or Argentine pesos. The fluctuation of the Canadian dollar will, consequently, have an impact upon the reported profit or loss of the Company and may also affect the value of the Company's assets and liabilities. The Company continuously monitors this exposure to determine if any mitigation strategies become necessary.

11. FINANCIAL RISK MANAGEMENT AND MANAGEMENT OF CAPITAL *(Cont'd…)*

Financial risk management (Continued)

Price risk

The Company is exposed to price risk with respect to commodity prices, particularly those included in its exploration and evaluation asset portfolio. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Management of capital

The Company's objectives in managing its capital (items included in shareholders' equity) are to fund acquisition, exploration and development of its exploration and evaluation assets and to meet its administrative and corporate activities to ensure that the Company continues as a going concern.

The Company is an exploration stage company and is currently unable to self-finance its operations. The Company has historically relied on equity financings to raise sufficient funds to carry out its exploration and acquisition activities and pay its administrative costs. Therefore, the Company intends to raise additional funds as required to carry out its planned activities.

The Company manages the capital structure and makes appropriate adjustments to it based upon changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt and acquire or dispose of assets. In order to manage its capital requirements management has put into place a planning and budgeting process.

The Company is not subject to any externally imposed capital requirements or restrictions, and there were no changes to the Company's approach to managing capital during the years ended October 31, 2019, and 2018.

(Expressed in Canadian dollars)

12. SEGMENTED INFORMATION

The Company operates in one industry segment, the mineral resources industry, and in two geographical segments, Canada and Argentina. The significant asset categories identifiable with these geographical areas are as follows:

	October 31, 2019		
	Canada	**Argentina**	**Total**
Exploration and evaluation assets	$ -	$ 3,578,793	$ 3,578,793
Equipment	4,123	6,157	10,280
Cash	1,440,083	17,570	1,457,653
Receivables and prepaids	60,135	5,140	65,275
Total Assets	$ 1,504,341	$ 3,607,660	$ 5,112,001

	October 31, 2018		
	Canada	**Argentina**	**Total**
Exploration and evaluation assets	$ -	$ 3,271,525	$ 3,271,525
Equipment	5,890	6,896	12,786
Cash	28,554	60,239	88,793
Receivables and prepaids	61,384	7,153	68,537
Total Assets	$ 95,828	$ 3,345,813	$ 3,441,641

For the years ended October 31	**2019**	**2018**
Loss for the year – Canada	$ 643,722	$ 1,697,182
Loss for the year - Argentina	164,201	546,877
Total Loss for the year	$ 807,923	$ 2,244,059

13. SUBSEQUENT EVENT

On November 19, 2019, the Company granted 4,500,000 share purchase options to officers, directors and consultants at an exercise price of $0.13 for a period of three years.

On November 20, 2019, the Company amended its option agreements for the following groups of properties: (i) the Cerro Bayo and La Flora properties; (ii) the Aylen, Aylen Oeste and Pedro properties; and (iii) the Fiorentina, Fiorentina Norte and Aguila Mora properties, to make the effective date May 1, 2019.

The Company issued 215,415 common shares as finder’s fees on the Esperanza property.