GLEN EAGLE
RESOURCES

Unaudited Condensed
Consolidated Interim Financial Statements

Glen Eagle Resources Inc.

Third quarter ended September 30, 2019

(in Canadian dollars, unless otherwise stated)

GLEN EAGLE
RESOURCES

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by, and are the responsibility of the Company's management.

The unaudited condensed interim consolidated financial statements of Glen Eagle Resources Inc. as at September 30, 2019 and for the three-month periods ended September 30, 2019 and 2018, have not been reviewed by the Company’s external auditors.

Jean Labrecque	**Daniel Bélisle**
Jean Labrecque	Daniel Bélisle, CPA, CA
President and Chief Executive Officer	Chief Financial Officer & Corporate Secretary

Date: November 27, 2019

Glen Eagle Resources Inc.

Consolidated Interim Statements of Financial Position
As at September 30, 2019 and 2018
Unaudited

(in Canadian dollars)

	September 30 2019 $	December 31 2018 $
Assets		
Current assets		
Cash	210,631	136,791
Short term investments – term deposits	8,096	8,096
Amounts receivable (note 5)	34,631	47,118
Inventory (note 6)	115,009	174,385
	368,367	366,390
Non-current assets		
Property, plant and equipment (note 7)	3,160,237	3,406,948
Exploration and evaluation assets (note 8)	1,569,931	1,565,365
	4,730,168	4,972,313
TOTAL ASSETS	5,098,535	5,338,703
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	974,879	730,297
Non-current liabilities		
Term loans (note 10)	660,000	250,000
Provision (note 11)	65,889	66,150
Convertible debenture (note 12)	146,917	150,793
	872,806	466,943
TOTAL LIABILITIES	1,847,685	1,197,240
Equity		
Share capital (note 13)	28,138,995	28,138,995
Warrants (note 13)	-	-
Stock options (note 14)	617,106	596,676
Contributed surplus	3,050,304	2,929,176
Deficit	(28,409,528)	(27,491,289)
Accumulated other comprehensive income (loss)	(146,027)	(32,095)
Total equity	3,250,850	4,141,463
TOTAL LIABILITIES AND EQUITY	5,098,535	5,338,703

Going concern (note 1)

The accompanying notes are an integral part of these consolidated financial statements
Approved by the Board of Directors

/s/ Jean Labrecque____________________ Director /s/ Guy Chamard___________________ Director

Glen Eagle Resources Inc.

Consolidated Interim Statements of Comprehensive Income (Loss)
For the three and nine months periods ended September 30, 2019 and 2018
Unaudited

(in Canadian dollars)

	Three-month period ended September 30, 2019 $	Three-month period ended September 30, 2018 $	Nine-month period ended September 30, 2019 $	Nine-month period ended September 30, 2018 $
Sales (note 2)				
Gold & silver	688,805	441,239	1,606,852	1,755,956
Cost of sales (note 16)	(546,317)	(465,122)	(1,797,060)	(1,449,181)
Gross operating margin	142,488	(23,883)	(190,208)	306,775
General and administrative (note 16)	(107,739)	(131,504)	(554,179)	(454,531)
Selling expenses	(47,903)	(24,387)	(98,084)	(72,108)
General exploration, net of tax credits	-	(100)	(599)	(2,779)
Operating income (loss)	(13,154)	(179,874)	(843,070)	(222,643)
Interest income	-	91	92	1,462
Interest expense	(28,816)	(1,429)	(60,821)	(4,814)
Loss on investment (note 10)	-	-	-	-
Foreign exchange gain (loss)	(10,214)	(1,718)	(14,440)	(12,890)
Net income (loss) for the period	(52,184)	(182,930)	(918,239)	(238,885)
Other comprehensive income (loss) net of income tax:				
Currency translation adjustment	41,383	(81,482)	(113,932)	8,311
Net comprehensive income (loss) for the period	(10,801)	(264,412)	(1,032,171)	(230,574)
Weighted average number of outstanding common shares (note 15)	82,868,108	82,868,108	82,868,108	82,269,568
Loss per share				
Basic and diluted (note 15)	0.00	0.00	(0.01)	0.00

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

Glen Eagle Resources Inc.

Consolidated Interim Statements of Changes in Equity
For the three and nine months periods ended September 30, 2019 and 2018
Unaudited

(in Canadian dollars, except for the number of shares)

	(note)	Number of common shares	Share capital $	Warrants $	Stock options $	Contributed surplus $	Accumulated other comprehensive loss $	Deficit $	Total $
Balance as at January 1, 2018		**80,868,108**	**27,932,079**	**6,916**	**668,017**	2,822,834	(163,389)	(26,838,429)	4,428,028
Net loss for the period							-	(238,885)	(238,885)
Currency translation adjustment							8,311	-	8,311
Comprehensive loss for the period							8,311	(238,885)	(230,574)
Warrants exercised	(13)	2,000,000	206,916	(6,916)	-	-	-	-	200,000
Fair value of stock option expired and cancelled	(14)	-	-	-	(106,342)	106,342	-	-	-
Share based compensation expense	(14)	-	-	-	35,001	-	-	-	35,001
		2,000,000	206,916	(6,916)	(71,341)	106,342	8,311	(238,885)	(4,427)
Balance as at September 30, 2018		**82,868,108**	**28,138,995**	**-**	**596,676**	**2,929,176**	**(155,078)**	**(27,077,314)**	**4,432,455**
Balance as at January 1, 2019		**82,868,108**	**28,138,995**	**-**	**596,676**	**2,929,176**	**(32,095)**	**(27,491,289)**	**4,141,463**
Net loss for the period							-	(918,239)	(918,239)
Currency translation adjustment							(113,932)	-	(113,932)
Comprehensive loss for the period							(113,932)	(918,239)	(1,032,171)
Fair value of stock option expired	(14)	-	-	-	(121,128)	121,128	-	-	-
Share based compensation expense	(14)	-	-	-	141,558	-	-	-	141,558
		-	-	-	20,430	121,128	(113,932)	(918,239)	(890,613)
Balance as at September 30, 2019		**82,868,108**	**28,138,995**	**-**	**617,106**	**3,050,304**	**(146,027)**	**(28,409,528)**	**3,250,850**

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

Glen Eagle Resources Inc.

Consolidated Interim Statement of Cash Flows
For the three and nine months periods ended September 30, 2019 and 2018
Unaudited

(in Canadian dollars)

	Three-month period ended September 30, 2019 $	Three-month period ended September 30, 2018 $	Nine-month period ended September 30, 2019 $	Nine-month period ended September 30, 2018 $
Cash flows provided (used in)				
Operating activities				
Net income (loss) for the period	(52,184)	(182,930)	(918,239)	(238,885)
Adjustments for				
Depreciation and amortization	57,205	40,474	173,396	129,918
Unrealised foreign exchange gain (loss)	41,383	(81,482)	(113,933)	8,311
Accretion excpense	1,821	-	-	-
Share-based compensation expense	-	-	141,558	35,001
Foreign exchange on cash	10,214	1,718	14,440	12,890
	58,439	(222,220)	(702,778)	(52,765)
Changes in working capital items				
Amounts receivable	54,143	53,467	12,487	32,940
Inventory	(6,090)	(14,300)	59,376	(77,420)
Accounts payable and accrued liabilities	39,292	36,919	240,445	81,183
Net cash from (used in) operating activities	145,784	(146,134)	(390,470)	(16,062)
Investing activities				
Increase in short term investment	-	(25,087)	-	(26,442)
Decrease in short term investment	-	115,000	-	325,000
Acquisition of exploration and evaluation asset	-	-	(4,565)	-
Acquisition of property, plant & equipment	(53,244)	(12,298)	73,315	(640,259)
Net cash used in investing activities	(53,244)	77,615	68,750	(341,701)
Financing activities				
Decrease in convertible debenture	4,369	-	-	-
Increase in long term debt	-	-	410,000	-
Issuance of share capital net of issue costs	-	-	-	200,000
Net cash provided by financing activities	4,369	-	410,000	200,000
Foreign exchange on cash	(10,214)	(1,718)	(14,440)	(12,890)
Net increase (decrease) – cash and cash equivalent	96,909	(68,519)	88,280	(157,763)
Cash and cash equivalents – Beginning of period	123,936	109,419	136,791	209,835
Cash and cash equivalents – End of period	210,631	39,182	210,631	39,182
Additional information				
Interest received	-	91	92	1,462

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

(in Canadian dollars, except per share amounts)

1 Incorporation, nature of activities and going concern

Glen Eagle Resources Inc. (the "Corporation") is incorporated under the Canada Business Corporations Act and is engaged in the acquisition, the exploration and the evaluation of mining properties. The address of the registered office and its principal place of business is 4,710 St-Ambroise Street, Suite 308 Montréal (Québec), Canada. The Corporation's shares are listed on the TSX Venture Exchange (symbol: GER).

Although management has taken steps to verify titles of mining properties in which the Corporation has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Corporation's title. Property title may be subject to unregistered prior agreements and non-compliant with regulatory requirements.

The Corporation has not yet determined whether the exploration and evaluation assets have economically recoverable ore reserves. Recovery of amounts indicated under exploration and evaluation assets and other tangible assets are subject to certain conditions: the discovery of economically recoverable reserves, the Corporation's ability to obtain the financing required to complete exploration, evaluation, development, construction and, ultimately, the sale of such assets.

The Corporation's consolidated financial statements have been prepared using accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt upon the Corporation's ability to continue as a going concern as described in the following paragraph, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These consolidated financial statements do not reflect the adjustment to the carrying values of assets and liabilities, expenses and balance sheet classifications that would be necessary were the going concern assumption would not be appropriate. These adjustments could be material.

For the period ended September 30 , 2019, the Corporation reported a net loss of $52,184 (net loss of $182,930) for the period ended September 30, 2018) and has an accumulated deficit of $28,409,528 as at September 30, 2019. In addition to ongoing working capital requirements, the Corporation must secure sufficient funding to meet its existing commitments for exploration and evaluation programs and pay general and administration costs. As at September 30, 2019, the Corporation has a negative working capital of $606,512 (negative of $363,907 as at December 31, 2018). Management estimates that current funds will not be sufficient to meet the Corporation's obligations and budgeted expenses through December 31, 2019. Any additional funding may be met in the future in a number of ways including but not limited to, increase in production, the issuance of new equity instruments and debt financing. While management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Corporation or that they will be available on terms which are acceptable to the Corporation. If management is unable to obtain new funding, the Corporation may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these consolidated financial statements.

These condensed consolidated interim financial statements were approved and authorized for issue by the board of directors on November 27, 2019.

(in Canadian dollars, except per share amounts)

2 Summary of significant accounting policies

The Corporation prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board ("IASB").

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

A. Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis, except for the revaluation of certain financial asset and financial liabilities to fair value, including certain financial assets.

B. Consolidation

These consolidated financial statements include the accounts of the Corporation and those of its wholly-owned foreign subsidiaries, Minera Temex S.A (up to August 25th, 2017), Sand Gold SA.(up to May 12th, 2017), and Cobra Oro De Honduras. The amounts presented in the consolidated financial statements of subsidiaries have been adjusted, if necessary, so that they meet the accounting policies adopted by the Corporation. Profit or loss or other comprehensive loss of subsidiaries set up, acquired or sold during the period are recorded from the actual date of acquisition or until the effective date of the sale, if any. All intercompany transactions, balances, income and expenses are eliminated at consolidation.

C. Cash

Cash consists of cash on hand and bank balances including high interest savings accounts.

D. Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each consolidated entity in the Corporation group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). These consolidated financial statements are presented in Canadian dollars, which is the functional currency of each consolidated entity, except for Cobra Oro De Honduras which is the Honduran Lempira (note 5).
The functional currency has remained unchanged during the reporting periods.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income (loss).

Foreign exchange gains and losses that relate to borrowings and cash are presented in the consolidated statement of comprehensive income (loss) in "foreign exchange gain (loss)".

(in Canadian dollars, except per share amounts)

Non-monetary assets and liabilities are translated at historical rates, unless such assets and liabilities are carried at market value, in which case, they are translated at the exchange rate in effect at the date of the balance sheet. Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognized in profit or loss as part of the fair value gain or loss.

The results and financial position of foreign subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position,

- income and expenses for each statement of comprehensive income (loss) are translated at average exchange rates, and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings, are recognised in other comprehensive income.

E. Inventories

Gold doré are valued at the lower of average production cost and net realizable value. The stockpiled ore is valued at the lower of the weighted average purchase cost and net realizable value. Net realizable value is the estimated selling price less applicable selling expenses. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal capacity. Consummable inventories are valued at the lower of the average cost and net realizable value. Obsolete, redundant and slow moving inventories are identified at each reporting date and written down to their net realizable values.

F. Property, plant and equipment

Property, plant and equipment ("PP&E") are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of PP&E consists of the purchase price, applicable borrowing costs, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Repairs and maintenance costs are charged to the consolidated statement of loss during the period in which they are incurred unless the PP&E are used in mineral properties under development for which the costs are capitalized in the mineral properties under development assets.

Depreciation is recognized based on the cost of an item of PP&E, less its estimated residual value, over their expected useful lives:

Category	Years
Buildings	20
Machinery and equipment	3 to 20
Vehicles	5

The residual value, useful life and depreciation method for PP&E are reviewed, and adjusted if appropriate, on an annual basis.

An item of PP&E is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net proceeds on disposal and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of loss.

Where an item of PP&E consists of major components with different useful lives, the components are accounted for as separate items of PP&E. Expenditures incurred to replace a component of an item of PP&E that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Capitalized costs are not depreciated until the time at which the related mining property has reached a pre-determined level of operating capacity intended by management. Costs incurred prior to this point, including depreciation of related PP&E, are capitalized and proceeds from sales during this period are offset against capitalized costs.

G. Commercial production

The Corporation assesses the stage of each construction project to determine when a project moves into the production stage. The criteria used to assess the start date are determined by the nature of each project and include factors such as the complexity of a project and its location. The Corporation considers various criteria to assess when a construction project is completed and ready for its use and moves into the production stage.

Some of the criteria evaluated include the following:

- Completion of a reasonable period of testing of the plant and equipment
- Ability to produce gold and silver in a saleable form
- Ability to sustain ongoing and continuous production of gold and silver.

When a construction project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for capitalized costs related to mining assets additions or improvements.

When a construction project moves into the production stage, the costs of a category of assets are moved from the P&E development stage to the producing assets stage; the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs capitalized and related to mining assets additions or improvements. At that point, the assets are amortized when it is probable that future economic benefits will flow to the Corporation. When the cost of assets moves from the pre-production into the production stage, the other income represented by metals (gold-silver) produced is no more reducing the value of property and equipment assets but is then recorded as revenue in the consolidated statement of comprehensive income (loss).

The Corporation has determined that the commercial production stage started on April 1, 2017 .

H. Revenue recognition

Revenue from the sale of gold and silver in the form of doré bars is measured at the transaction price, being the amount of consideration to which the Corporation expects to be entitled in exchange for transferring promised goods. Revenue is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Until such time when commercial production was reached, pre-commercial production revenue was accounted for as a reduction of mineral properties under development within property, plant, and equipment (“PP&E”).

(in Canadian dollars, except per share amounts)

I. Exploration and evaluation (E&E) assets

E&E assets are comprised of deferred E&E expenditures and mining properties. Expenditures incurred on activities that precede exploration for and evaluations of mineral resources, or all expenditures incurred prior to securing the legal rights to explore an area, are expensed immediately as general exploration expenses in the consolidated statement of comprehensive income (loss).

E&E assets includes rights in mining properties, paid or acquired through a business combination or an acquisition of assets, and costs related to the initial search for mineral deposits with economic potential or to obtain more information about existing mineral deposits.

Mining rights are recorded at acquisition cost or at recoverable amount being the higher of its fair value less cost to sell and its value in use, in the case of a devaluation caused by an impairment of value. Proceeds received from the sale or an option on mineral properties are applied in reduction of related carrying costs and any excess or shortfall is recorded as a gain or loss in the consolidated statements of comprehensive income (loss). In the case of partial sale, if the carrying costs exceed the proceeds, only the losses are recorded.

From time to time, the Corporation may acquire or dispose of a property pursuant to the terms of an option agreement. Due to the fact that options are exercisable entirely at the discretion of the option holder, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

E&E assets include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore like topographical, geological, geochemical and geophysical studies. They also reflect costs related to establishing the technical and commercial viability of extracting a mineral resource identified through exploration or acquired through a business combination or asset acquisition. E&E assets include the cost of:

- establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body;
- determining the optimal methods of extraction and metallurgical and treatment processes;
- studies related to surveying, transportation and infrastructure requirements;
- permitting activities; and
- economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

E&E expenditures for each separate area of interest are capitalized on basis of specific mining claim blocks or areas of geological interest until the E&E assets to which they relate are placed into production, sold or abandoned.

E&E expenditures include overhead expenses directly attributable to the related activities.

Cash flows attributable to capitalized E&E assets are classified as investing activities in the consolidated statement of cash flows under the heading increase in exploration and evaluation assets and cash flows attributable to expensed E&E are classified as operating activities in the consolidated statement of cash flows.

(in Canadian dollars, except per share amounts)

J. Impairment of non-financial assets

Property, plant and equipment and E&E assets are reviewed for impairment on an annual basis and if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Corporation estimates the recoverable amount of the asset group to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or asset group is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in the consolidated statement of comprehensive income (loss) as impairment of exploration and evaluation assets. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized.

K. Income taxes

Income tax on the profit or loss for the years presented 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 other comprehensive income (loss) or in equity, in which case it is recognized in other comprehensive income (loss) or in equity, respectively.

Mining taxes represent Canadian provincial taxes levied on mining operations and are classified as income taxes since such taxes are based on a percentage of mining profits.
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. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The temporary differences are not provided for if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. 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 financial position reporting date and whose implementation is expected over the period during which the deferred tax is realized or recovered.

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 income tax assets and liabilities are presented as non-current and are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(in Canadian dollars, except per share amounts)

L. Flow through shares

The Corporation finances some E&E expenditures through the issuance of flow through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. The Corporation recognizes a deferred tax liability for flow through shares and a deferred tax expense, at the moment the eligible expenditures are incurred. The difference between the quoted price of the common shares and the amount the investors pay for the shares (the "premium") is recognized as other liability which is reversed as a deferred income tax recovery in the consolidated statement of comprehensive income (loss), when eligible expenditures have been incurred.

M. Refundable tax credits for mining E&E expenditures

The Corporation is entitled to a refundable tax credit on qualified mining E&E expenditures incurred in the province of Quebec and on mining duties credits. The credits are accounted for against the E&E expenditures incurred.

N. Provisions for other liabilities and charges

Provisions for environmental restoration and legal claims are recognized when: the Corporation has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

O. Share-based compensation

The Corporation accounts for all share-based compensation using the fair value method. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value is calculated based on the Black-Scholes valuation model. Compensation expense is recognized over the tranche's vesting period based on the number of awards expected to vest, by increasing the account stock options. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately in the consolidated statement of comprehensive income (loss), with a corresponding adjustment to equity. When stock options are exercised, any consideration paid is credited to share capital.

Q. Earnings per share

Basic earnings per share are computed using the weighted average number of common shares outstanding during the periods. Provided that they are not anti-dilutive, diluted earnings per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants and any unamortized share-based compensation amounts are used to repurchase common shares at the prevailing market rate.

R. Financial instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

(in Canadian dollars, except per share amounts)

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Financial Assets

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Company classifies its financial assets in the following measurement categories:

- measured subsequently at amortized cost; and
- measured subsequently at fair value through net loss.

i) Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- 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 principal amount outstanding.

Financial Liabilities

Financial liabilities are initially recorded at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial instruments are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities and credit line are classified as financial liabilities at amortized cost.

Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Company assumes that there is no significant increase in credit risk for instruments that have a low credit risk.

Embedded Derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. If a hybrid contract contains a host that is a financial asset, the entire hybrid contract is measured at fair value through net loss. If a hybrid contract contains a host that is not a financial asset, embedded derivatives are recorded at fair value separately from the host contract when their economic characteristics and risks are not clearly and closely related to those of the host contract. Subsequent changes in fair value are recorded in the consolidated statements of loss.

(in Canadian dollars, except per share amounts)

The convertible debenture issued by the Corporation is a hybrid financial instrument that can be converted into units of the Corporation at the option of the holder, each unit comprised of a common share and a purchase warrant. The hybrid financial instrument is recognized as a liability, with the initial carrying value of the convertible debenture (host) being the residual amount of the proceeds after separating the derivative component, which is recognized at fair value. Any directly attributable transaction costs are allocated to the host and derivative components in proportion to their initial carrying amounts. Subsequent to initial recognition, the host component of the hybrid financial instrument is measured at amortized cost using the effective interest method. The derivative component of the hybrid financial instrument is measured at fair value through profit and loss. Subsequent changes in fair value are recorded in the consolidated statements of comprehensive loss.

i) The Corporation's financial instruments consist of the following:

	Method
Cash	Amortized cost
Amounts receivable	Amortized cost
Short term investments	Amortized cost
Accounts payable and accrued liabilities	Financial liabilities at amortized cost
Term loans	Financial liabilities at amortized cost
Convertible debenture – Host (Note 13)	Financial liabilities at amortized cost
Convertible debenture – Derivative (Note 13)	Fair value throught net loss

S. Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset/liability and of allocating interest income/expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including transaction costs) through the expected life of the financial asset/liability, or, if appropriate, a shorter period.

T. Share capital and warrants

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period where the transaction occurs. As part of its financing activities, the Corporation may grant warrants. Each warrant entitles its holder to purchase a determined number of shares at a price determined at grant for a certain period of time. Proceeds from unit placements are allocated between shares and warrants issued using the relative fair value method on a pro rata basis. The Corporation uses the Black-Scholes pricing model to determine the fair value of warrants issued.

U. Segment disclosures

The Corporation currenly operates in two segments which are the acquisition, exploration, evaluation and development of mineral properties, recovery of gold and silver from tailings and recovery of gold from rocks. The Corporation's activities are conducted in Québec (Canada) and Honduras. The activities in Nicaragua were sold during the year ended December 31, 2017.

3 Critical accounting estimates, judgments and assumptions

Many of the amounts included in the financial statements require management to make judgments and/or estimates. These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the financial statements.

(in Canadian dollars, except per share amounts)

Areas of significant judgment and estimates affecting the amounts recognized in the consolidated financial statements include:

a) Impairment of non-financial assets

Pursuant to the Corporation's significant accounting policies, after the legal right to undertake exploration and evaluation activities on a project is acquired, the cost of acquiring mining claims and exploration and evaluation expenditures are capitalized to exploration and evaluation assets. After capitalization, mining properties are reviewed for impairment annually and if there is any indication that the carrying amount may not be recoverable.

Determining if there are any facts or circumstances indicating impairment, loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases. Determining whether to test for impairment exploration and evaluation assets requires management's judgment regarding the following, among others:

a) The period for which the entity 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;
b) Substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned;
c) Exploration for and evaluation of mineral resources in a 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; or
d) Sufficient data exists to indicate that, although a development in a 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.

Additional external factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends and a significant drop in ore prices. When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs must be determined. Identifying the cash generating units requires considerable management judgment. In testing an individual asset or cash generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available.
Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Corporation's assets and losses may occur during the next period.

b) Provision and contingent liabilities

Judgments are made as to whether a past event has led to a liability that should be recognized in the financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received, previous experience and the probability of a loss being realized. Several of these factors are source of estimation uncertainty.

c) Income tax recovery

Significant judgment is required in determining the income tax recovery as there are transactions and calculations for which the ultimate tax determination is uncertain.

d) Going concern

The assessment of the Corporation's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances (see note 1).

e) Production start date

The Corporation assesses the stage of each construction project to determine when a project moves into the production stage. The criteria used to assess the start date are determined by the nature of each project and include factors such as the complexity of a project and its location. The Corporation considered various criteria to assess when a construction project is completed and ready for its use and moves into the production stage.

Some of the criteria evaluated at the beginning of 2017, included the following:

- Completion of a reasonable period of testing of the plant and equipment
- Ability to produce gold and silver in a saleable form
- Ability to sustain ongoing and continuous production of gold and silver.

f) Functional currency

The functional currency for the parent entity, and each of its subsidiaries, is the currency of the primary economic environment in which the entity operates. The parent entity has determined the functional currency of each entity is the Canadian dollar, except for Cobra Oro De Honduras which is the Honduran Lempira. The determination of the functional currency may involve certain judgments as to defining the primary economic environment, and the parent entity will reconsider the functional currency of its entities if there is a change in events and conditions which determine the primary economic environment in which these entities operate.

4 Recent accounting standards

A) New standards and interpretations adopted

IFRS 9 – Financial Instruments

On January 1, 2018, the Company adopted *IFRS 9, Financial Instruments* which replaced *IAS 39, Financial Instruments: Recognition and Measurement*, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment.
The Company applied IFRS 9 retrospectively with restatement of prior periods, but there were no impact on the opening balance sheet as of January 1, 2017 and 2018 and the comparative information presented.

i) Assets and liabilities

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9.

(in Canadian dollars, except per share amounts)

The following table summarizes the classification and measurement changes for the Company's financial assets and liabilities as of January 1, 2017 and 2018:

	Category under IAS 39	Category under IFRS 9
Financial assets:		
Cash and cash equivalents	Loans and receivables	Amortized cost
Short term investments	Loans and receivables	Amortized cost
Financial liabilities:		
Payables and accrued liabilities	Amortized cost	Amortized cost

The accounting for these instruments and the line item in which they are included in the consolidated statements of financial position are unaffected by the adoption of IFRS 9, and no measurement adjustments are required to the Company's financial assets and liabilities.

ii) Impairment of financial assets

The adoption of IFRS 9 had no impact on the impairment of the Corporation's financial assets.

Amendments to IFRS 2, *Classification and Measurement of Share-based Payment Transactions* ("IFRS 2")

On January 1, 2018, the Corporation adopted the amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions.

The amendments, which were developed through the IFRS Interpretations Committee, provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Company has determined that there is no impact upon the adoption of the amendments to IFRS 2 on January 1, 2018.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

On January 1, 2018, the Corporation adopted IFRS 15, *Revenue from Contracts with Customers*. IFRS 15 replaces all previous revenue recognition standards, including IAS 18, *Revenue*, and related interpretations. The standard sets out the requirements for recognizing revenue. Specifically, the new standard introduces a comprehensive framework with the general principle being that an entity recognizes revenue to depict the transfer of promised goods and services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduces more prescriptive guidance than was included in previous standards and may result in changes to the timing of revenue for certain types of revenues. The standard results in enhanced disclosures about revenue that results in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. IFRS 15 was adopted retrospectively with restatement of prior periods.

The Corporation has determined that there is no impact upon the adoption of IFRS 15 on January 1, 2017 and 2018 and on the comparative information presented.

(in Canadian dollars, except per share amounts)

B) Recent accounting pronouncements not yet adopted

The Corporation has not yet adopted certain standards, interpretations to existing standards and amendments which have been issued but have an effective date of later than January 1, 2018. Many of these updates are not relevant to the Corporation and are therefore not discussed herein.

IFRS 16, Leases ("IFRS 16")

In January 2016, IASB issued IFRS 16, *Leases*, which specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise 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*. The standard is mandatory for the Corporatoin's annual periods beginning on January 1, 2019. The Corporation is currently evaluating the impact of this standard on its financial statements.

5 Amounts receivable

	September 30, 2019 $	December 31, 2018 $
Sales tax receivable	1,125	10,447
Trade receivables	33,506	36,671
	34,631	47,118

All of the Corporation's gold and silver sales are with one customer at the market prices in effect at the time of delivery, however economic dependence is mitigated as the Company can sell its gold to numerous clients throughout the world.

6 Inventories

	September 30, 2019 $	December 31, 2018 $
Doré bars	-	88,662
Consummables	94,428	78,795
Work in process	20,581	6,928
	115,009	174,385

The Corporation did not recognize write-downs of inventory during the current period and during the year 2018.

(in Canadian dollars, except per share amounts)

7 Property and equipment

	Land $	Building $	Plant equipment $	Vehicle $	Machinery and Equipment $	Total $
Cost						
As at January 1, 2019	550,366	414,853	2,256,039	19,227	492,405	3,732,890
Additions	-	-	-	-	44,038	44,038
Foreign exchange	(19,119)	(14,412)	(78,374)	(668)	(17,581)	(130,154)
As at September 30,2019	531,247	400,441	2,177,665	18,559	518,862	3,646,774
Accumulated depreciation						
As at January 1, 2019	-	(36,354)	(219,532)	(6,662)	(63,394)	(325,942)
Depreciation	-	(33,528)	(110,639)	(2,780)	(26,451)	(173,398)
Foreign exchange	-	1,549	8,571	255	2,428	12,803
As at September 30, 2019	-	(68,333)	(321,600)	(9,187)	(87,417)	(486,537)
Net book value September 30, 2019	531,247	332,108	1,856,065	9,372	431,445	3,160,237

	Land $	Building $	Plant equipment $	Vehicle $	Machinery and Equipment $	Total $
Cost						
As at January 1, 2018	324,419	244,841	1,522,740	18,449	831,378	2,941,827
Transfer	-	156,048	647,054	-	(803,102)	-
Additions	204,169	-	-	-	442,103	646,272
Foreign exchange	21,778	13,964	86,245	778	22,026	144,791
As at December 31, 2018	550,366	414,853	2,256,039	19,227	492,405	3,732,890
Accumulated depreciation						
As at January 1, 2018	-	(10,981)	(88,966)	(2,740)	(26,069)	(128,756)
Depreciation	-	(24,289)	(123,471)	(3,705)	(35,255)	(186,720)
Foreign exchange	-	(1,083)	(7,096)	217	(2,070)	(10,466)
As at December 31, 2018	-	(36,353)	(219,533)	(6,662)	(63,394)	(325,942)
Net book value December 31, 2018	550,366	378,500	2,036,506	12,565	429,.011	3,406,948

(a) The pre-commercial revenue and pre-operating expenses that occurred between May 21, 2015 and March 31, 2017, were capitalized.

(b) Depreciation expense is incurred since the beginning of the production stage on April 1, 2017.

(in Canadian dollars, except per share amounts)

8 Exploration and evaluation assets

Capitalized E&E assets are comprised of wholly owned mining rights, undivided interests in properties and deferred E&E expenditures, detailed as follows:

Costs of E&E assets at the end of the period

	September 30, 2019			December 31, 2018		
Mining properties	**Mining claims $**	**Deferred E&E expenditures $**	**Total $**	**Mining claims $**	**Deferred E&E expenditures $**	**Total $**
Quebec						
Phosphate properties						
Moose Lake (a)	214,726	1,355,204	1,569,930	210,160	1,355,204	1,565,364
Honduras						
La Cobra (c)	1	-	1	1	-	1
	214,727	1,355,204	1,569,931	210,161	1,355,204	1,565,365

Movement in the E&E assets during the period

Quebec	September 30, 2019			December 31, 2018		
Mining properties	**Mining claims $**	**Deferred E&E expenditures $**	**Total $**	**Mining claims $**	**Deferred E&E expenditures $**	**Total $**
Balance – Beginning of period	210,161	1,355,204	1,565,365	204,006	1,420,706	1,624,712
Phosphate properties						
Moose Lake – Lac St-Jean						
Additions to mining claims	4,566	-	4,566	10,000	-	10,000
Impairment (a)	-	-	-	(3,845)	(65,502)	(69,347)
Honduras						
La Cobra (c)	-	-	-	-	-	-
Balance – End of period	214,727	1,355,204	1,569,931	210,161	1,355,204	1,565,365

(in Canadian dollars, except per share amounts)

a) Moose Lake (Lac St-Jean – Quebec)

On October 12, 2011, the Corporation entered into an option agreement with a private company and two individuals, to acquire a 100% interest in a phosphate property ("Moose Lake"), composed originally of 90 claims, located in St-Jean Lake area (Quebec), approximately 150 km South of Lisette Lake. As per the agreement, the Corporation has agreed to pay an amount of $428,000 in cash or in share equivalent and to spend $400,000 on E&E work over a seven year period. Under the terms of the agreement, the vendors agreed to grant the Corporation the exclusive and irrevocable right to earn a 100% interest in the property in consideration of the following: i) upon acceptance by the TSX Venture Exchange, the Corporation issued to the Vendors 200,000 shares representing a $93,000 payment; ii) after six months, the Corporation shall pay $100,000 (paid in share equivalent); iii) at the first anniversary date of the signing of the agreement, the Corporation shall pay $75,000 (paid in share equivalent); iv) after 20 months of the signing of the agreement, the Corporation must have spent $100,000 in E&E work (completed); v) at the second anniversary date of the signing of the agreement, the Corporation shall pay $60,000 (paid in share equivalent); vi) at the third anniversary date of the signing of the agreement, the Corporation shall pay $60,000 (in cash or in share equivalent), and have spent an additional $100,000 on E&E work on the property(completed); vii) at the fourth anniversary date of the signing of the agreement, the Corporation shall pay $40,000 (in cash or in share equivalent) (revised from $60,000) payable by one payment of $10,000 on December 15, 2015 and three yearly payments of $10,000 on September 30th, 2016 (paid), September 30th, 2017 (paid) and on September 30th, 2018, and have spent an additional $200,000 (completed) on E&E work on the property; once the obligations of the option agreement are fully respected, the right to property will be transferred to the Corporation.

Following an addendum to the original agreement, the Corporation could stake claims adjacent to the Moose property and therefore, more than doubled the size of the property. All claim charges for annual fees and costs for transferring and managing the claims will be at the charge of the Corporation. The vendor, being an exploration company, will be in charge of the realization of the E&E work on the field. Furthermore, when claims are transferred, the Corporation will assume a 1% NSR payable to the vendor and redeemable by tranche of 0.5% for $500,000 each.

On December 31, 2018, the Corporation abandoned 60 claims which resulted in an impairment charge of $69,347 in fiscal 2018.

The Corporation complied with all obligations to maintain the rights on the property. The Corporation owns a total of 81 claims.

b) La Libertad (Sombrero Negro) - Nicaragua

On May 12, 2017, the Corporation sold its shares owned in Sandgold S.A. to a private company (the ''Buyer''), a party at arm's length, for the sum of US$70,000 ($93,989) and 3% NSR on future development of Sandgold's initial project in La Libertad, Nicaragua.

The Buyer has made a first installment deposit of US$5,000 ($6,714) (received) to secure a due diligence process on Sandgold S.A. Upon the successful completion, the Buyer will make a second installment of US$25,000 once the purchase conditions are fulfilled. Then, the Buyer will make a third installment six months later of US$30,000 and, two years after, a fourth installment of US$10,000 for a total consideration of US$70,000. The amounts and profit received from the transaction will be recorded on a cash basis. No commission was paid on the transaction. As at September 30, 2019, no additional payment has been received.

(in Canadian dollars, except per share amounts)

On May 12, 2017, the Corporation has recorded a $12,375 loss on investment to write-off the residual assets of the subsidiary.

c) La Cobra

On May 17, 2017, the Corporation acquired through its wholly owned Honduran subsidiary, the property called "La Cobra", attributed to the Corporation by the Ministry of Mines of Honduras, which is composed of one claim covering approximately 775 hectares and located in the Valle Department, Honduras.

9 Accounts payable and accrued liabilities

	September 30, 2019 $	December 31, 2018 $
Accounts payable	229,905	102,747
Accrued and other liabilities (a)	744,974	627,550
	974,879	730,297

(a) As at September 30, 2019, the Corporation had recorded a provision of $431,736 for tax and other non-compliance penalty. Includes interest on loans and debenture due to insiders for $36,203 and management fees due for $48,600.

10 Term loans

	September 30, 2019 $	December 31, 2018 $
Balance – Beginning of the year	250,000	-
Increase during the period	410,000	250,000
Balance – End of period	660,000	250,000

A first loan by an insider of $100,000 is a non-guaranteed loan due on April 30, 2021, that was closed on October 20, 2018, bears interest at an annual rate of 15%. The interest is payable twice a year on June 30 and December 31. An Officer of the Corporation has guaranteed this loan.

A second loan by an insider of $150,000 is a non-guaranteed long term loan due on April 30, 2021, that was closed on December 19, 2018, bears interest at an annual rate of 15%. The interest is payable twice a year on June 30 and December 31.

A third loan by an insider of $410,000 is a non-guaranteed long term loan due on May 29, 2023, that was closed on May 30, 2019, bears interest at an annual rate of 12%. The interest is payable monthly.

(in Canadian dollars, except per share amounts)

11 Provision

	September 30, 2019 $	December 31, 2018 $
Balance – Beginning of the year	66,150	60,864
Increase (decrease) during the period	(261)	5,286
Balance – End of period	65,889	66,150

Asset retirement obligations

During 2017, an asset retirement obligation study was conducted, for the subsidiary in Honduras. The liability for asset retirement obligations as at September 30, 2019 was $65,889. The estimated undiscounted value of this liability was $105,714 on September 30, 2019 and disbursments are expected to be made in 2031. A discount rate of 4.22% was used to estimate the obligation. Each quarter, the Corporation reviews the expected timing of the cash payments required to settle the obligations, and adjusts the asset retirement obligation accordingly, which also includes foreign exchange differences.

12 Convertible debenture

	Host	Derivative	Total
Balance – December 31, 2018	122,261	28,532	150,793
Change in fair value of derivative	-	(15,181)	(15,181)
Accretion	11,305	-	11,305
Balance – End of period	133,566	13,351	146,917

On December 13, 2018, the Corporation completed the financing of a $150,000 convertible debenture bearing interest at a rate of 12% per annum and maturing on December 12, 2021. The principal amount of the debenture will be payable at the maturity date and accrued interest will be paid on June 30 and December 31 of each year until maturity date.

The debenture is convertible at $0.20 into units, composed of one common share and one common share purchase warrant. The unit is to be converted at $0.20 a share until maturity date for a total of 750,000 shares and 750,000 common share purchase warrants to be exercised at $0.30 for two years after conversion of the debenture.

The convertible debenture is a hybrid instrument, which is in its entirety a financial liability. The initial carrying amount of $121,468 for the host represents the residual amount of the proceeds after separating out the $28,532 fair value of the derivative.

The derivative was valued using a binomial model. The following key assumptions were used in that model:

(in Canadian dollars, except per share amounts)

	As at December 31, 2018
Expected life in years	3.0
Expected volatility	70.0%
Risk-free rate	2.20%
Share price	$0.12
Exercice price	$0.20

13 Share capital and warrants

Share capital

Authorized

Unlimited number of voting common shares, participating, without par value.

Warrants

a) Warrants exercised

i) During the year ended December 31, 2018, a total of 4,000,000 share purchase half warrants were exercised for a cash consideration of $200,000. An amount of $6,916 representing residual fair value allocated at the date of issue for the warrants was reclassified from Warrants to Share capital account.

b) Changes in Corporation warrants are as follows:

	September 30 2019		December 31 2018	
Share purchase warrants	**Number**	**Weighted average exercise price $**	**Number**	**Weighted average exercise price $**
Balance – Beginning of period	-	-	2,000,000	0.10
Exercised	-	-	(2,000,000)	0.10
Balance – End of period	-	-	-	-

Number of warrants	Exercise price $	Expiry date
-	-	-

(in Canadian dollars, except per share amounts)

14 Share based payments

The Corporation has a stock option plan whereby the Board of Directors may grant to directors, officers or consultants of the Corporation, options to acquire common shares. The Board of Directors has the authority to determine the terms and conditions of the grant of options. The Board of Directors approved a "Rolling" stock option plan ("Plan") reserving a maximum of 10% of the shares of the Corporation at the time of the stock option grant, with a vesting period allowed of zero up to eighteen months, when the grant of option is made at market price, for the benefit of its directors, officers, employees and consultants. The Plan provides that no single person may hold options representing more than 5% of the outstanding common shares. The number of stock options granted to a beneficiary and the vesting period are determined by the Board of Directors.

The exercise price of any option granted under the Plan is fixed by the Board of Directors at the time of the grant and cannot be less than the market price per common share the day before the grant. The term of an option will not exceed five years from the date of grant. Options are not transferable and can be exercised while the beneficiary remains a director, an officer, an employee or consultant of the Corporation or between three and up to twelve months after the beneficiary has left.

The options granted in 2019 and 2018 were granted at a price equal to the closing market value of the shares, the previous day before the grant. The changes to the number of stock options granted by the Corporation and their weighted average exercise price are as follows:

	September 30 2019		December 31 2018	
Stock option	**Number**	**Weighted average exercise price $**	**Number**	**Weighted average exercise price $**
Balance – Beginning of period	7,270,000	0.12	7,705,000	0.13
Granted (a)	1,800,000	0.11	225,000	0.225
Expired (b)	(990,000)	(0.17)	(660,000)	(0.23)
Balance – End of period	8,080,000	0.11	7,270,000	0.12
Options exercisable End of period	8,080,000	0.11	7,270,000	0.12

a) Options granted

i) On June 26th, 2019, the Corporation granted an aggregate of 1,450,000 options to directors and one consultant. The options are fully vested on the day of granting, in accordance with the option plan. The options issued are exercisable at the price of $0.105 until June 25, 2024. The fair value of these options was estimated at $114,886 using the Black-Scholes option-pricing model with the following assumptions: share price of $0.105, expected dividend yield of 0%, expected volatility of 102%, risk free rate of 1.4% and expected life of 5 years.

ii) On January 24th, 2019, the Corporation granted an aggregate of 350,000 options to directors and one consultant. The options are fully vested on the day of granting, in accordance with the option plan. The options issued are exercisable at the price of $0.13 until January 24, 2024. The fair value of these

(in Canadian dollars, except per share amounts)

options was estimated at $26,672 using the Black-Scholes option-pricing model with the following assumptions: share price of $0.13, expected dividend yield of 0%, expected volatility of 70%, risk free rate of 1.86% and expected life of 5 years.

iii) On January 25th, 2018, the Corporation granted an aggregate of 225,000 options to its employees. The are exercisable at the price of $0.225 until January 25th, 2023. The fair value of these options was estimated at $35,001 using the Black-Scholes option-pricing model with the following assumptions: share price of $0.225, expected dividend yield of 0%, expected volatility of 88%, risk free rate of 2.04% and expected life of 5 years.

b) Options expired

i) On March 27, 2019, a total of 715,000 options (exercisable at $0.195) expired without being exercised. An amount of $99,012 was reclassified from the Stock option account to the Contributed surplus account.

ii) On January 26, 2019, a total of 275,000 options (exercisable at $0.07, $0.105 and $0.195) expired without being exercised. An amount of $22,116 was reclassified from the Stock option account to the Contributed surplus account.

iii) On September 30, 2018, a total of 60,000 options (exercisable at $0.195) expired without being exercised. An amount of $8,309 was reclassified from the Stock option account to the Contributed surplus account.

iv) On April 3, 2018, a total of 375,000 options (exercisable at $0.30) expired without being exercised. An amount of $79,574 was reclassified from the Stock option account to the Contributed surplus account.

v) On January 25, 2018, a total of 225,000 options (exercisable at $0.12 and $0.20) expired without being exercised. An amount of $$18,459 was reclassified from the Stock option account to the Contributed surplus account.

For the period ended June 30, 2019 the stock-based compensation charged to the consolidated statement of comprehensive income (loss) was $141,558 (December 2018 – $35,001).

As at September 30, 2019, the Corporation had the following stock options outstanding:

(in Canadian dollars, except per share amounts)

Expiry date	Exercise price $	Options granted	Number of options exercisable	Remaining contracts life (year)
April 23, 2020	0.095	1,525,000	1,525,000	0.56
December 29, 2020	0.07	1,800,000	1,800,000	1.25
July 13, 2021	0.105	1,385,000	1,385,000	1.79
November 7, 2021	0.12	100,000	100,000	2.11
February 13, 2022	0.12	370,000	370,000	2.38
April 26, 2022	0.20	875,000	875,000	2.57
January 25, 2023	0.225	225,000	225,000	3.32
January 24, 2024	0.13	350,000	350,000	4.32
June 25, 2024	0.105	1,450,000	1,450,000	4.74
		8,080,000	8,080,000	2.23

15 Earnings (loss) per share

Diluted earnings (loss) per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The Corporation has two categories of dilutive potential common shares: warrants and stock options. For both, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Corporation's outstanding shares for the period), based on the exercise prices attached to the warrants and stock options. The number of shares calculated above is compared with the number of shares that would have been issued assuming exercise of the warrants and stock options. For the period ended September 30, 2019 all share options and warrants were anti-dilutive since the Corporation reported a net loss.

The calculation of basic and diluted earnings (loss) per share is based on the net income (loss) for the period divided by the weighted average number of shares outstanding during the same period.

	Three-months period ended September 30, 2019 $	Three-months period ended September 30, 2018 $	Nine-months period ended September 30, 2019 $	Nine-months period ended September 30, 2018 $
Net income (loss) for the period	(52,184)	(182,930)	(918,239)	(238,885)
Weighted average number common shares outstanding	82,868,108	82,868,108	82,868,108	82,269,568
Dilutive share options and warrants	-	-	-	-
Weighted average number of outstanding shares for diluted earnings per share	82,868,108	82,868,108	82,868,108	82,269,568
Basic loss per share	0.00	0.00	(0.01)	0.00
Diluted loss per share	0.00	0.00	(0.01)	0.00

(in Canadian dollars, except per share amounts)

16 Information included in the consolidated statements of comprehensive income

	Three-month period ended September 30 2019 $	Three-month period ended September 30 2018 $	Nine-month period ended September 30 2019 $	Nine-month period ended September 30 2018 $
Cost of sales				
Material supplies	227,111	120,280	574,195	430,487
Consumables	18,490	27,529	115,178	88,330
Salaries, benefits and other employee expenses	97,253	90,701	350,643	306,644
Electricity	76,366	76,134	195,416	188,447
Equipment repair and maintenance	22,575	47,897	154,990	121,462
Production supplies	59,388	69,222	190,420	196,842
Depreciation of plant and equipment	41,389	29,213	123,500	80,151
Depreciation vehicle	6,626	6,488	19,769	19,569
Variation of finished goods	237	8,176	87,086	27,767
Variation of work in process inventory	(3,118)	(10,518)	(14,137)	(10,518)
	546,317	465,122	1,797,060	1,449,181

	Three-month period ended September 30 2019 $	Three-month period ended September 30 2018 $	Nine-month period ended September 30 2019 $	Nine-month period ended September 30 2018 $
Office expenses and rent	17,772	26,777	73,227	70,232
Consulting and management fees	55,712	58,023	193,239	188,411
Share base payments	-	-	141,558	35,001
Professional fees	15,750	20,539	53,110	51,331
Public company expenses	1,603	1,056	24,415	26,180
Depreciation and amortization	10,613	10,393	31,669	31,347
Business development	6,289	14,716	36,961	52,029
	107,739	131,504	554,179	454,531

(in Canadian dollars, except per share amounts)

17 Related party transactions

Remuneration of key management

Key management includes directors and senior executives of the parent company and its subsidiary. The compensation recognized as an expense and paid to key management for services is presented below:

Related party transactions	Three-month period ended September 30 2019 $	Three-month period ended September 30 2018 $	Nine-month period ended September 30 2019 $	Nine-month period ended September 30 2018 $
Management fees	52,500	49,773	157,500	168,826
Share based payments	-	-	116,036	-
	52,500	49,773	273,536	168,826

During the period, companies controlled by officers and directors charged an amount of $3,600 ($3,600 - 2018) for office expenses and rent. An amount of $48,600 is due to Officers of the Corporation at the end of the quarter.

18 Capital management policies and procedures

The Corporation considers the items included in equity as capital components.

The Corporation's capital management objectives are:

- to ensure the Corporation's ability to continue as a going concern;
- to increase the value of the assets of the business; and
- to provide an adequate return to shareholders.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flow, either with partners or by the Corporation's own means.

The Corporation is not exposed to any externally imposed capital requirements except when the Corporation issues flow-through shares for which amounts should be used for E&E work. There is no dividend policy. Changes in capital are described in the consolidated statements of Changes in Equity and the related notes.

(in Canadian dollars, except per share amounts)

19 Financial instruments

Measurement categories

As explained in Note 2, financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the consolidated statement of comprehensive loss. Those categories are: fair value through profit or loss; loans and receivables; available for sale financial assets; and, for liabilities, amortized cost. The following table shows the carrying values of assets and liabilities for each of these categories at September 30, 2019 and December 31,2018.

Financial instruments	September 30 2019 $	December 31 2018 $
Loans and receivable		
Cash	210,631	136,791
Term deposit	8,096	8,096
Receivable from related party and other receivables (except indirect taxes)	33,506	36,670
	252,233	181,557
Liabilities – Amortized cost		
Accounts payable, accrued liabilities(1)	974,879	730,297
Term loans	660,000	250,000
Convertible debenture – Host	133,566	122,261
Liabilities at fair value through profit or lost		
Convertible debenture – Derivative level (level 3)	13,351	28,532

(1) Includes an amount of $431,736 for tax and other non-compliance penalty. No payment terms have yet been determined for this amount. Includes interest expenses due to insiders for $36,203 and management fees for $48,600. (Note 9).

Fair values, including valuation methods and assumptions

As at September 30, 2019, the carrying values of cash, amounts receivable, convertible debenture, trade payables and accrued liabilities approximate their fair value due to their relative short maturities. Interest income on term deposits measured at amortized cost was nil for the period (2018-$92).

Fair value hierarchy

The following table classifies financial assets and liabilities that are recognized on the statement of financial position at fair value in a hierarchy that is based on significance of the inputs used in making the measurements. The levels in the hierarchy are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3: Inputs for the assets or liabilities that are not based on observable market data.

(in Canadian dollars, except per share amounts)

As at September 30, 2019, the Coporation is committed to minimum future principal and interest payments for term loans and convertible debentures, as follows:

	Term loans $ (Note 11)	Convertible debenture $ (Note 13)	Total $
Year ending December 31, 2019	36,100	18,000	80,100
Year ending December 31, 2020	86,700	18,000	104,700
Year ending December 31, 2021	336,700	168,000	504,700
Year ending December 31, 2022	49,200	-	49,200
Year ending December 31, 2023	459,200	-	459,200
	967,900	204,000	1,171,900

Financial risks factors

The Corporation's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, and price risk), credit risk and liquidity risk. Risk management is carried out by management under policies approved by the board of directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, fair value risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. The Corporation's overall risk management program seeks to minimize potential adverse effects on the Corporation's financial performance.

b) Market risk

i) Foreign exchange risk

On September 30, 2019, the subsidiary of the Corporation has certain transactions in foreign currencies such as the Hondurans Lempira and the US dollar. Consequently, certain assets and liabilities and expenses are exposed to currency fluctuations. The Corporation does not use derivative or hedge instruments to manage foreign exchange risks.

The Corporation's consolidated statement of financial position contains balances of cash,receivables and payables and accrued liabilities in currencies other than the operation's relevant functional currency. Accordingly, the Corporation is exposed to foreign exchange risk.

The balances in currencies are as follows as at September 30, 2019 and December 31,2018 :

	September 30 2019 HNL	December 31 2018 HNL
Cash in Lempiras	159,634	670,521
CAD dollar equivalents	8,587	37,367

The sensitivity of the Corporation to a variation of 10% in the value of the Honduran Lempira and the US dollar would not have a significant impact on the assets, liabilities and expenses.

(in Canadian dollars, except per share amounts)

ii) Interest rate risk:
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. As at September 30, 2019, a term deposit of $8,096(December 31, 2018 – $8,096) . The sensitivity of the Corporation to a variation of 1% in the interest rate would not have an impact. The Corporation's other financial assets and liabilities do not comprise any interest rate fair value risk since they do not bear interest.

iii) Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation is subject to concentrations of credit risk through cash and accounts receivable. The Corporation reduces its credit risk by maintaining part of its cash in financial instruments held with a Canadian chartered bank.

iv) Liquidity risk
Liquidity risk is the risk that the Corporation will not be able to meet the obligations associated with its financial liabilities. Management estimates that the funds as at September 30, 2019 will not be sufficient to meet the Corporation's obligations and budgeted assets through December 31, 2018. Any additional funding may be met in the future in a number of ways including but not limited to, the issuance of new equity instruments. Cash flow forecasting is performed by the Corporation which monitors rolling forecasts of the Corporation's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times. Surplus cash over and above balances required for working capital management are invested in interest bearing short-term deposits with a maturity within 12 months, which are selected with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. Accounts payable and accrued liabilities as at September 30, 2019 consist of items that should be settled within approximately 30 days (see note 1 for information on going concern), except for provision made in the accounts payable and accrued liabilities (note 11).

20 Segmented information

The Corporation operates in 2 different geographic segments located in Canada and Honduras.

	Glen Eagle Resources (Canada) $	Cobra Oro De Honduras SA (Honduras) $	Total $
ASSETS			
Current assets	11,423	356,944	368,367
Non-current assets			
Property and equipment	-	3,160,237	3,160,237
Exploration and evaluation assets	1,569,931	-	1,569,931
Current liabilities	634,934	339,935	974,879
Non-current liability			
Term loans	660,000	-	660,000
Convertible debenture	146,917	-	146,917
Provision	-	65,889	65,889