

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☐ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED July 31, 2018.**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____.**

Commission File Number: 001-33125

SILVER BULL RESOURCES, INC.
(Exact name of registrant as specified in its charter)

Nevada
State or other jurisdiction of
incorporation or organization

91-1766677
(I.R.S. Employer
Identification No.)

777 Dunsmuir Street, Suite 1610
Vancouver, B.C. V7Y 1K4
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: 604-687-5800

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Non-accelerated filer ☐

(Do not check if a smaller reporting company)

Accelerated filer ☐

Smaller reporting company ☒

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of September 13, 2018, there were 234,868,214 shares of the registrant's \$0.01 par value common stock outstanding, the registrant's only outstanding class of voting securities.

SILVER BULL RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

SILVER BULL RESOURCES, INC. **(AN EXPLORATION STAGE COMPANY)** **CONDENSED CONSOLIDATED BALANCE SHEETS**

	July 31, 2018	October 31, 2017
	(Unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Notes 4 and 13)	\$ 3,329,133	\$ 681,776
Value-added tax receivable, net of allowance for uncollectible taxes of \$99,631 and \$67,729 respectively (Note 6)	175,002	156,997
Other receivables	17,088	5,245
Prepaid expenses and deposits	428,687	116,836
Total Current Assets	3,949,910	960,854
Office and mining equipment, net (Note 7)	188,254	208,755
Property concessions (Note 8)	5,019,927	5,004,386
Goodwill (Note 9)	2,058,031	2,058,031
TOTAL ASSETS	\$ 11,216,122	\$ 8,232,026
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 513,634	\$ 138,130
Accrued liabilities and expenses	342,908	313,058
Income tax payable	3,000	4,780
Stock option liability (Note 11)	15,495	5,194
Warrant derivative liability (Note 12)	534,728	341,717
Total Current Liabilities	1,409,765	802,879
COMMITMENTS AND CONTINGENCIES (Notes 1 and 14)		
STOCKHOLDERS' EQUITY (Notes 4, 10, 11 and 12)		
Common stock, \$0.01 par value; 300,000,000 shares authorized, 227,502,659, and 199,259,967 shares issued and outstanding, respectively	2,275,026	1,992,599
Additional paid-in capital	132,009,924	127,679,664
Common stock subscription	20,222	—
Accumulated deficit	(124,591,063)	(122,335,364)
Other comprehensive income	92,248	92,248
Total Stockholders' Equity	9,806,357	7,429,147
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 11,216,122	\$ 8,232,026

Subsequent event (Note 16)

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

SILVER BULL RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS) (Unaudited)

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2018	2017	2018	2017
REVENUES	\$ —	\$ —	\$ —	\$ —
EXPLORATION AND PROPERTY HOLDING COSTS				
Exploration and property holding costs	204,474	117,231	481,114	674,006
Depreciation	6,621	7,384	20,501	28,047
TOTAL EXPLORATION AND PROPERTY HOLDING COSTS	211,095	124,615	501,615	702,053
GENERAL AND ADMINISTRATIVE EXPENSES				
Personnel	112,814	119,165	358,156	390,899
Office and administrative	206,744	109,051	444,833	278,228
Professional services	34,346	23,257	174,545	144,462
Directors' fees	33,941	41,044	114,395	135,021
Provision for (recovery of) uncollectible value-added taxes (Note 6)	4,222	(32,857)	29,424	(82,823)
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	392,067	259,660	1,121,353	865,787
LOSS FROM OPERATIONS	(603,162)	(384,275)	(1,622,968)	(1,567,840)
OTHER INCOME (EXPENSES)				
Interest income	1,299	870	2,068	2,774
Interest and finance costs	(690)	(664)	(2,329)	(2,252)
Foreign currency transaction (loss) gain	(3,166)	12,697	(567)	8,087
Change in fair value of stock option liability (Note 11)	16,422	9,322	10,630	9,322
Change in fair value of warrant derivative liability (Note 12)	664,923	65,587	(640,196)	65,587
Gain on liquidation of subsidiary (Note 1)	—	129,781	—	129,781
Warrant issuance costs (Note 9)	—	(24,054)	—	(24,054)
Miscellaneous income	—	—	225	5,417
TOTAL OTHER INCOME (EXPENSES)	678,788	193,539	(630,169)	194,662
INCOME (LOSS) BEFORE INCOME TAXES	75,626	(190,736)	(2,253,137)	(1,373,178)
INCOME TAX EXPENSE	1,000	1,509	2,562	1,628
NET INCOME (LOSS)	74,626	(192,245)	(2,255,699)	(1,374,806)
OTHER COMPREHENSIVE INCOME				
Foreign currency translation adjustments	—	(354)	—	2,367
Realized foreign currency translation gain on liquidation of subsidiary	—	(129,427)	—	(129,427)
COMPREHENSIVE INCOME (LOSS)	\$ 74,626	\$ (322,026)	\$ (2,255,699)	\$ (1,501,866)
BASIC AND DILUTED NET INCOME (LOSS) PER COMMON SHARE	\$ —	\$ —	\$ (0.01)	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES				
-Basic	206,990,463	182,058,445	202,981,818	179,298,044
-Diluted	211,706,716	182,058,445	202,981,818	179,298,044

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

SILVER BULL RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (Unaudited)

	Common Stock		Additional	Common	Accumulated	Other	
	Number of	Amount	Paid-in	Stock	Deficit	Comprehensive	Total
	Shares		Capital	Subscription		Income	
Balance, October 31, 2017	199,259,967	\$ 1,992,599	\$ 127,679,664	\$ —	\$ (122,335,364)	\$ 92,248	\$ 7,429,147
Issuance of common stock as follows:							
- for cash at a price of \$0.13 per unit with attached warrants less offering costs of \$302,167 (Note 10)	21,776,317	217,763	2,310,991	—	—	—	2,528,754
- exercise of warrants at a price of Canadian dollar ("CDN") 0.13 per share less costs of \$795 (Note 10)	5,565,000	55,650	508,689	—	—	—	564,339
- exercise of agent warrants at a price of \$CDN 0.10 per share less costs of \$333 (Note 10)	901,375	9,014	60,556	—	—	—	69,570
Common stock subscription (Note 10)	—	—	—	20,222	—	—	20,222
Earn-In option agreement (Note 4)	—	—	922,783	—	—	—	922,783
Reclassification to additional paid-in capital upon exercise of warrants at price of \$CDN 0.13 (Note 12)	—	—	385,738	—	—	—	385,738
Reclassification to additional paid-up capital upon exercise of warrants at price of \$CDN 0.10 (Note 12)	—	—	61,447	—	—	—	61,447
Stock option and warrants activity as follows:							
- Stock-based compensation for options issued to officers, employees and consultants	—	—	58,083	—	—	—	58,083
- fair value of warrants issued to agents in connection with the \$0.13 per share private placement (Notes 10 and 12)	—	—	21,973	—	—	—	21,973
Net loss for the nine month period ended July 31, 2018	—	—	—	—	(2,255,699)	—	(2,255,699)
Balance, July 31, 2018	227,502,659	\$ 2,275,026	\$ 132,009,924	\$ 20,022	\$ (124,591,063)	\$ 92,248	\$ 9,806,357

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

SILVER BULL RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Nine Months Ended July 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (2,255,699)	\$ (1,374,806)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	20,501	28,047
Provision for (recovery of) uncollectible value-added taxes	29,424	(82,823)
Foreign currency transaction loss (gain)	17,652	(29,567)
Change in fair value of warrant derivative liability (Note 12)	640,196	(65,587)
Change in fair value of stock option liability (Note 11)	(10,630)	(9,322)
Stock options issued for compensation (Note 11)	79,014	117,953
Warrant issuance costs (Note 10)	—	24,054
Gain on liquidation of subsidiary (Note 1)	—	(129,781)
Changes in operating assets and liabilities:		
Value-added tax receivable	(42,173)	(12,268)
Other receivables	(11,795)	(1,133)
Prepaid expenses and deposits	(329,140)	76,181
Accounts payable	352,414	17,882
Accrued liabilities and expenses	(52,293)	(118,009)
Income tax payable	(1,780)	(7,240)
Net cash used in operating activities	<u>(1,564,309)</u>	<u>(1,566,419)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property concessions	(15,541)	—
Net cash used in investing activities	<u>(15,541)</u>	<u>—</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Property concessions funding (Note 4)	922,783	—
Common stock subscription (Note 10)	20,222	—
Proceeds from exercise of warrants, net of costs (Note 10)	633,908	—
Proceeds from issuance of common stock and warrants, net of offering costs (Note 10)	2,651,555	1,057,907
Net cash provided by financing activities	<u>4,228,468</u>	<u>1,057,907</u>
Effect of exchange rates on cash and cash equivalents	(1,261)	43,134
Net increase (decrease) in cash and cash equivalents	2,647,357	(465,378)
Cash and cash equivalents beginning of period	681,776	1,467,328
Cash and cash equivalents end of period	<u>\$ 3,329,133</u>	<u>\$ 1,001,950</u>

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

SILVER BULL RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (CONTINUED)

Nine Months Ended	
July 31,	
2018	2017

SUPPLEMENTAL CASH FLOW DISCLOSURES:

Income taxes paid	\$	4,599	\$	8,642
Interest paid		2,329		2,252

NON-CASH INVESTING AND FINANCING ACTIVITIES:

Warrants issued for financing fees (Note 10)	\$	21,973	\$	15,592
Offering costs included in accounts payable and accrued liabilities		100,827		70,460

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

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

Silver Bull Resources, Inc. (the "Company") was incorporated in the State of Nevada on November 8, 1993 as the Cadgie Company for the purpose of acquiring and developing mineral properties. The Cadgie Company was a spin-off from its predecessor, Precious Metal Mines, Inc. On June 28, 1996, the Company's name was changed to Metalline Mining Company. On April 21, 2011, the Company's name was changed to Silver Bull Resources, Inc. The Company's fiscal year-end is October 31. The Company has not realized any revenues from its planned operations and is considered an exploration stage company. The Company has not established any reserves with respect to its exploration projects and may never enter into the development stage with respect to any of its projects.

The Company engages in the business of mineral exploration. The Company currently owns a number of property concessions in Mexico (collectively known as the "Sierra Mojada Property"). The Company conducts its operations in Mexico through its wholly-owned subsidiary corporations, Minera Metalin S.A. de C.V. ("Minera Metalin") and Contratistas de Sierra Mojada S.A. de C.V. ("Contratistas") and through Minera Metalin's wholly-owned subsidiary Minas de Coahuila SBR S.A. de C.V. ("Minas").

On April 16, 2010, Metalline Mining Delaware, Inc., a wholly-owned subsidiary of the Company, was merged with and into Dome Ventures Corporation ("Dome"). As a result, Dome became a wholly-owned subsidiary of the Company. Dome has a wholly-owned subsidiary Dome Asia Inc. ("Dome Asia"), which is incorporated in the British Virgin Islands. Dome Asia has a wholly-owned subsidiary, Dome Minerals Nigeria Limited, incorporated in Nigeria. On May 15, 2017, the Company liquidated the Company's Gabonese subsidiary, African Resources SARL Gabon ("African Resources"). As a result of this liquidation, the Company recognized a gain on liquidation of subsidiary of \$129,781 in the condensed consolidated statements of operations and comprehensive loss for the nine months ended July 31, 2017.

The Company's efforts and expenditures have been concentrated on the exploration of properties, principally the Sierra Mojada Property located in Coahuila, Mexico. The Company has not determined whether its exploration properties contain ore reserves that are economically recoverable. The ultimate realization of the Company's investment in exploration properties is dependent upon the success of future property sales, the existence of economically recoverable reserves, and the ability of the Company to obtain financing or make other arrangements for exploration, development, and future profitable production activities. The ultimate realization of the Company's investment in exploration properties cannot be determined at this time.

NOTE 2 – BASIS OF PRESENTATION

The Company's interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and applicable rules of the U.S. Securities and Exchange Commission ("SEC") regarding interim reporting. All intercompany transactions and balances have been eliminated during consolidation. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The interim condensed consolidated balance sheet at October 31, 2017 was derived from the audited consolidated financial statements. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended October 31, 2017.

All figures are in United States dollars unless otherwise noted.

The interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements, except as disclosed in Note 3. In the opinion of management, the interim condensed consolidated financial statements furnished herein include all adjustments, all of which are of a normal recurring nature, necessary for a fair statement of the results for the interim periods presented. Uncertainties with respect to estimates and assumptions are inherent in the preparation of the Company's interim condensed consolidated financial statements. Accordingly, operating results for the nine months ended July 31, 2018 are not necessarily indicative of the results that may be expected for the fiscal year ending October 31, 2018.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are defined in the Company's Annual Report on Form 10-K for the year ended October 31, 2017 filed on January 17, 2018, except as follows.

Income Taxes

The Tax Cuts and Jobs Act of 2017 was signed into law on December 22, 2017. The law includes significant changes to the U.S. corporate income tax system, including a Federal corporate rate reduction from 35% to 21%, limitations on the deductibility of interest expense and executive compensation, and the transition of U.S. international taxation from a worldwide tax system to a territorial tax system. The law did not have a material impact on the Company's financial position, results of operations or cash flows and disclosures.

Recent Accounting Pronouncements Adopted in the Nine-Month Period Ended July 31, 2018

Effective November 1, 2017 the Company adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") 2016-09, "Improvements to Employee Share-Based Payment Accounting," which amends several aspects of the accounting for share-based payment transactions, including income tax consequences, the classification of awards as either equity or liabilities, and the classification on the statement of cash flows. The adoption of this update did not have a material impact on the Company's financial position, results of operations or cash flows and disclosures.

Effective November 1, 2017, the Company adopted the FASB's ASU 2015-17, "Balance Sheet Classification of Deferred Income Taxes (Topic 740)," which requires entities with a classified balance sheet to present all deferred tax assets and liabilities as noncurrent. The adoption of this update did not have a material impact on the Company's financial position, results of operations or cash flows and disclosures.

Recent Accounting Pronouncements Not Yet Adopted

In June 2018, the FASB issued ASU 2018-07, "Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting" to include share-based payment transactions for acquiring goods and services from nonemployees. ASU 2018-07 simplifies the accounting for nonemployee share-based payments, aligning it more closely with the accounting for employee awards. These changes become effective for the Company's fiscal year beginning November 1, 2019. Early application is permitted. At this time, the Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures.

In February 2017, the FASB issued ASU 2017-05, "Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20), Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets" which addresses the transfer to noncustomers of nonfinancial assets or ownership interests in consolidated subsidiaries that do not constitute a business and the contribution of nonfinancial assets that are not a business to a joint venture or other noncontrolled investee. These changes become effective for the Company's fiscal year beginning November 1, 2018. At this time, the Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures.

In January 2017, the FASB issued ASU 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business," which clarifies the definition of a business to assist entities in the evaluation of acquisitions and disposals of assets or businesses. These changes become effective for the Company's fiscal year beginning November 1, 2018. At this time, the Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures.

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash," which will require entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. These changes become effective for the Company's fiscal year beginning November 1, 2018. At this time, the Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments," which provides guidance on the presentation and classification of certain cash receipts and payments in the statement of cash flows. These changes become effective for the Company's fiscal year beginning November 1, 2018. At this time, the Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures.

In February 2016, the FASB issued ASU 2016-02, "Leases," which will require lessees to recognize assets and liabilities for the rights and obligations created by most leases on the balance sheet. These changes become effective for the Company's fiscal year beginning November 1, 2019. Modified retrospective adoption for all leases existing at, or entered into after, the date of initial application, is required with an option to use certain transition relief. At this time, the Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities," which (i) requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, (ii) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, (iii) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset, and (iv) eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. These changes become effective for the Company's fiscal year beginning November 1, 2018. Early application is permitted. At this time, the Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)", which has subsequently been amended to update revenue guidance under the newly-created ASC 606. The new standard provides a five-step approach to be applied to all contracts with customers and also requires expanded disclosures about revenue recognition. In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," which defers the effective date of ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)" to become effective for the Company's fiscal year beginning November 1, 2018. At this time, the Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures.

NOTE 4 – EARN-IN OPTION AGREEMENT

On June 1, 2018, the Company and its subsidiaries Minera Metalin and Contratistas entered into an Earn-In Option Agreement (the "Option Agreement") with South32 International Investment Holdings Pty Ltd ("South32"), a wholly-owned subsidiary of South32 Limited (ASX/JSE/LSE: S32), whereby South32 is able to obtain an option to purchase 70% of the shares of Minera Metalin and Contratistas (the "Option") which holds and operate the Sierra Mojada Property located in Coahuila, Mexico (the "Project") and supply labour for the Project. Under the Option Agreement, South32 earns into the option by funding a collaborative exploration program on the Project. Upon the terms and subject to the conditions set forth in the Option Agreement, in order for South32 to earn and maintain its Option, South32 must contribute to Minera Metalin minimum aggregate amount of \$3 million, \$6 million, \$8 million and \$10 million by the end of years one, two, three, and four of the four-year Option period for exploration of the Project (the "Initial Funding"). Funding is made on a quarterly basis based on the following quarter's exploration budget. South32 may exercise the Option by contributing \$100 million to Minera Metalin (the "Subscription Payment"), less the amount of Initial Funding previously contributed by South32. Issuance of shares upon notice of exercise by South32 is subject to antitrust approval by the Mexican government. If the full amount of the Subscription Payment is advanced by South32 and the Option becomes exercisable and is exercised, the Company and South32 will be obligated to contribute funding to Minera Metalin on a 30/70 pro rata basis. If South32 elects not to continue with the Option during the four-year option period, the Project will remain 100% owned by the Company. The exploration program will be initially managed by the Company with South32 being able to approve the exploration program funded by it. During June 2018, the Company received initial funding from South32 of \$922,783, of which \$627,812 remains unspent as of July 31, 2018. South32 is able to terminate the Option Agreement at any time without penalty other than forfeiture of the Option. In the event of cancellation or if South32 is unable to obtain antitrust authorization from the Mexican government, the Company is under no obligation to reimburse South32 for amounts contributed under the Option Agreement.

In the event of exercise of the Option, Minera Metalin and Contratistas are required to issue common shares to South32. Pursuant to a Shareholders Agreement that would be executed by the parties upon exercise, until a decision has been made by the board to develop and construct a mine on the Project, each shareholder holding greater than or equal to 10% of the shares may withdraw as an owner in exchange for a 2% net smelter royalty on products produced and sold from the Project. Any shareholder whose holdings are reduced to less than 10% must surrender its interest in exchange for a 2% net smelter royalty.

The foregoing description of the Option Agreement is qualified in its entirety by Exhibit 10.1 to that certain Form 8-K filed by the Company with the Securities and Exchange Commission on June 7, 2018, which is incorporated herein by reference as Exhibit 10.1.

The Company has determined Minera Metalin and Contratistas are variable interest entities and that the Option Agreement has not resulted in the transfer of control of the Project to South32. The Company has also determined the Option Arrangement represents non-employee share-based compensation associated with the collaborative exploration program undertaken by the parties. The compensation cost is expensed when the associated exploration activity occurs. The share-based payments have been classified as equity instruments and valued based on the fair value of consideration received, as it is more reliably measurable than the fair value of the equity interest. In the event the option is exercised and shares are issued prior to a decision to develop a mine, such shares would be classified as temporary equity as they would be contingently redeemable in exchange for a net smelter royalty under circumstances not wholly in control of the Company or South32 and which are not currently probable.

The Company has adopted a policy of classifying cumulative compensation cost associated with options on subsidiary equity as additional paid-in capital until exercise. No portion of the equity value has been classified as temporary equity as the option has no intrinsic value.

NOTE 5 – NET INCOME (LOSS) PER SHARE

The Company had stock options and warrants outstanding at July 31, 2018 and 2017 that upon exercise were issuable into 43,522,453 and 38,353,986 shares of the Company's common stock, respectively. Basic net income (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share reflects the potential dilution that would occur if securities or other contracts to issue common shares were exercised.

NOTE 6 – VALUE-ADDED TAX RECEIVABLE

Value-added tax ("VAT") receivable relates to VAT paid in Mexico. The Company estimates net VAT of \$175,002 will be received within 12 months of the balance sheet date. The allowance for uncollectible VAT was estimated by management based upon a number of factors, including the length of time the returns have been outstanding, responses received from tax authorities, general economic conditions in Mexico and estimated net recovery after commissions.

A summary of the changes in the allowance for uncollectible VAT for the nine months ended July 31, 2018 is as follows:

Allowance for uncollectible VAT – October 31, 2017	\$	67,729
Provision for VAT receivable allowance		29,424
Foreign currency translation adjustment		2,247
Recovery of VAT receivable		231
Allowance for uncollectible VAT – July 31, 2018	\$	<u>99,631</u>

NOTE 7 – OFFICE AND MINING EQUIPMENT

The following is a summary of the Company's office and mining equipment at July 31, 2018 and October 31, 2017, respectively:

	July 31, 2018	October 31, 2017
Mining equipment	\$ 358,513	\$ 358,513
Vehicles	53,451	53,451
Buildings and structures	185,724	185,724
Computer equipment and software	74,236	74,236
Well equipment	39,637	39,637
Office equipment	47,597	47,597
	<u>759,158</u>	<u>759,158</u>
Less: Accumulated depreciation	(570,904)	(550,403)
Office and mining equipment, net	<u>\$ 188,254</u>	<u>\$ 208,755</u>

NOTE 8 – PROPERTY CONCESSIONS

The following is a summary of the Company's property concessions for the Sierra Mojada Property as at July 31, 2018 and October 31, 2017:

Property concessions – October 31, 2017	\$ 5,004,386
Acquisitions	15,541
Property concessions – July 31, 2018	<u>\$ 5,019,927</u>

NOTE 9 – GOODWILL

Goodwill represents the excess, at the date of acquisition, of the purchase price of the business acquired over the fair value of the net tangible and intangible assets acquired. On April 30, 2018, the Company elected to perform a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. Based on this assessment, management determined it is not more likely than not that the fair value of the reporting unit is less than its carrying amount. The Company performs its annual goodwill impairment tests as of April 30th of each fiscal year.

The following is a summary of the Company's goodwill balance as at July 31, 2018 and October 31, 2017:

Goodwill – July 31, 2018 and October 31, 2017	<u>\$ 2,058,031</u>
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NOTE 10 – COMMON STOCK

On July 27, 2018, the Company received \$20,222 for 155,555 units at a purchase price of \$0.13 per unit (the "\$0.13 Unit") for the second tranche of the private placement (Note 16). On July 25, 2018, the Company completed the initial tranche of a two tranche private placement for 21,776,317 units at a purchase price of \$0.13 per unit for gross proceeds of \$2,830,921. Each \$0.13 Unit consists of one share of the Company's common stock and one half of one common stock purchase warrant (the "\$0.13 Warrant"). Each full \$0.13 Warrant entitles the holder thereof to acquire one share of common stock at a price of \$0.16 for a period of 24 months from the closing of the private placement. The Company paid a 7% finder's fee totaling \$184,070 to agents with respect to certain purchasers who were introduced by these agents. In addition, the agents received 1,011,374 non-transferable warrants (the "2018 Agent's Warrants"). Each 2018 Agent's Warrant entitles the agents to acquire one share of common stock at a price of \$0.14 for a period of 24 months from the closing of the private placement. The fair value of the 2018 Agent's Warrants was determined to be \$21,973 (Note 12), and the Company incurred other offering costs of \$96,124.

On June 6, 2018, 43,750 warrants to acquire 43,750 shares of common stock were exercised at an exercise price of \$CDN 0.10 per share of common stock for aggregate gross proceeds of \$3,388 (\$CDN 4,375).

On May 28, 2018, 292,250 warrants to acquire 292,250 shares of common stock were exercised at an exercise price of \$CDN 0.10 per share of common stock for aggregate gross proceeds of \$22,479 (\$CDN 29,225).

On May 7, 2018, 125,000 warrants to acquire 125,000 shares of common stock were exercised at an exercise price of \$CDN 0.13 per share of common stock for aggregate gross proceeds of \$12,632 (\$CDN 16,250).

On May 7, 2018, 526,000 warrants to acquire 526,000 shares of common stock were exercised at an exercise price of \$CDN 0.10 per share of common stock for aggregate gross proceeds of \$40,889 (\$CDN 52,600).

On April 4, 2018, 625,000 warrants to acquire 625,000 shares of common stock were exercised at an exercise price of \$CDN 0.13 per share of common stock for aggregate gross proceeds of \$63,432 (\$CDN 81,250).

On March 29, 2018, 1,000,000 warrants to acquire 1,000,000 shares of common stock were exercised at an exercise price of \$CDN 0.13 per share of common stock for aggregate gross proceeds of \$100,822 (\$CDN 130,000).

On March 28, 2018, 8,750 warrants to acquire 8,750 shares of common stock were exercised at an exercise price of \$CDN 0.10 per share of common stock for aggregate gross proceeds of \$678 (\$CDN 875).

On March 15, 2018, 1,025,000 warrants to acquire 1,025,000 shares of common stock were exercised at an exercise price of \$CDN 0.13 per share of common stock for aggregate gross proceeds of \$102,248 (\$CDN 133,250).

On March 14, 2018, 250,000 warrants to acquire 250,000 shares of common stock were exercised at an exercise price of \$CDN 0.13 per share of common stock for aggregate gross proceeds of \$25,108 (\$CDN 32,500).

On March 8, 2018, 974,500 warrants to acquire 974,500 shares of common stock were exercised at an exercise price of \$CDN 0.13 per share of common stock for aggregate gross proceeds of \$98,000 (\$CDN 126,685).

On February 20, 2018, 8,750 warrants to acquire 8,750 shares of common stock were exercised at an exercise price of \$CDN 0.10 per share of common stock for aggregate gross proceeds of \$693 (\$CDN 875).

On February 20, 2018, 250,000 warrants to acquire 250,000 shares of common stock were exercised at an exercise price of \$CDN 0.13 per share of common stock for aggregate gross proceeds of \$25,749 (\$CDN 32,500).

On February 16, 2018, 250,000 warrants to acquire 250,000 shares of common stock were exercised at an exercise price of \$CDN 0.13 per share of common stock for aggregate gross proceeds of \$25,917 (\$CDN 32,500).

On February 13, 2018, 178,000 warrants to acquire 178,000 shares of common stock were exercised at an exercise price of \$CDN 0.13 per share of common stock for aggregate gross proceeds of \$18,365 (\$CDN 23,140).

On January 29, 2018, 21,875 warrants to acquire 21,875 shares of common stock were exercised at an exercise price of \$CDN 0.10 per share of common stock for aggregate gross proceeds of \$1,773 (\$CDN 2,188).

On January 22, 2018, 62,500 warrants to acquire 62,500 shares of common stock were exercised at an exercise price of \$CDN 0.13 per share of common stock for aggregate gross proceeds of \$6,522 (\$CDN 8,125).

On January 15, 2018, 625,000 warrants to acquire 625,000 shares of common stock were exercised at an exercise price of \$CDN 0.13 per share of common stock for aggregate gross proceeds of \$65,408 (\$CDN 81,250).

On January 8, 2018, 200,000 warrants to acquire 200,000 shares of common stock were exercised at an exercise price of \$CDN 0.13 per share of common stock for aggregate gross proceeds of \$20,931 (\$CDN 26,000).

The Company incurred costs of \$1,128 related to the warrant exercises in the nine months ended July 31, 2018.

On July 10, 2017, the Company completed the initial tranche of a two tranche private placement for 18,240,000 units at a purchase price of \$CDN 0.08 per unit (the "\$CDN 0.08 Unit") for gross proceeds of \$1,132,216 (\$CDN 1,459,200). Each \$CDN 0.08 Unit consists of one share of the Company's common stock and one warrant (the "\$CDN 0.08 Warrant"). Each full \$CDN 0.08 Warrant entitles the holder thereof to acquire one share of common stock at a price of \$CDN 0.13 for a period of 24 months from the closing of the private placement. The Company paid a 7% finder's fee totaling \$78,169 to agents with respect to certain purchasers who were introduced by these agents. In addition, the agents received 1,259,300 non-transferable warrants (the "2017 Agent's Warrants"). Each 2017 Agent's Warrant entitles the agents to acquire one share of common stock at a price of \$CDN 0.10 for a period of 24 months from the closing of the private placement. The fair value of the 2017 Agent's Warrants was determined to be \$15,592, and the Company incurred other offering costs of \$66,600. Of these costs \$24,054 is included in warrant issuance costs in the condensed consolidated statements of operations and comprehensive loss.

NOTE 11 – STOCK OPTIONS

The Company has one stock option plan, the 2010 Stock Option and Stock Bonus Plan, as amended (the "2010 Plan"). Under the 2010 Plan, the lesser of (i) 30,000,000 shares or (ii) 10% of the total shares outstanding are reserved for issuance upon the exercise of options or the grant of stock bonuses.

Options are typically granted with an exercise price equal to the closing market price of the Company's stock at the date of grant, have a graded vesting schedule over approximately one to two years and have a contractual term of five years.

A summary of the range of assumptions used to value stock options granted for the nine months ended July 31, 2018 and 2017 are as follows:

Options	Nine Months Ended July 31,	
	2018	2017
Expected volatility	40%	78% – 87%
Risk-free interest rate	1.94%	1.35% – 1.56%
Dividend yield	—	—
Expected term (in years)	5.0	2.50 – 3.50

During the nine months ended July 31, 2018, the Company granted options that vested immediately to acquire 350,000 shares of common stock to a consultant with a weighted-average grant-date fair value of \$0.06 per share and an exercise price of \$CDN 0.215 per share. No options were exercised during the nine months ended July 31, 2018.

During the nine months ended July 31, 2017, the Company granted options to acquire 4,075,000 shares of common stock with a weighted-average grant-date fair value of \$0.05 per share and an exercise price of \$CDN 0.125 per share. No options were exercised during the nine months ended July 31, 2017.

The following is a summary of stock option activity for the nine months ended July 31, 2018:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at October 31, 2017	12,794,286	\$ 0.16	2.98	\$ 110,622
Granted	350,000	0.17		
Expired	(2,019,286)	0.40		
Outstanding at July 31, 2018	11,125,000	\$ 0.12	2.74	\$ 313,052
Exercisable at July 31, 2018	9,666,666	\$ 0.12	2.61	\$ 286,964

The Company recognized stock-based compensation costs for stock options of \$79,014 and \$117,953 for the nine months ended July 31, 2018 and 2017, respectively. As of July 31, 2018, there was \$23,148 of total unrecognized compensation expense, which is expected to be recognized over a weighted average period of 0.38 years.

Summarized information about stock options outstanding and exercisable at July 31, 2018 is as follows:

Options Outstanding			Options Exercisable		
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 0.06	4,075,000	2.57	\$ 0.06	4,075,000	\$ 0.06
0.10 – 0.17	4,425,000	3.75	0.10	3,066,666	0.10
0.20 – 0.26	2,625,000	1.31	0.25	2,525,000	0.26
\$ 0.06 – 0.37	11,125,000	2.74	\$ 0.12	9,666,666	\$ 0.12

Stock options granted to consultants with a \$CDN exercise price are classified as stock option liability on the Company's interim condensed consolidated balance sheets upon vesting. The following is a summary of the Company's stock option liability at July 31, 2018 and October 31, 2017:

Stock option liability at October 31, 2017:	\$ 5,194
Grant of vested \$CDN stock option to consultant	20,931
Change in fair value of stock option liability	(10,630)
Stock option liability at July 31, 2018	\$ 15,495

NOTE 12 – WARRANTS

A summary of warrant activity for the nine months ended July 31, 2018 is as follows:

Warrants	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding and exercisable at October 31, 2017	27,164,700	\$ 0.10	1.70	\$ 9,769
Issued in the \$0.13 Unit private placement (Note 10)	10,888,154	\$ 0.16		
Agent's Warrants (Note 10)	1,011,374	\$ 0.14		
Expired	(200,400)	\$ 0.15		
Exercised	(6,466,375)	\$ 0.10		
Outstanding and exercisable at July 31, 2018	32,397,453	\$ 0.12	1.33	\$ 256,508

During the nine months ended July 31, 2018, the Company issued 10,888,154 warrants with an exercise price of \$0.16 in connection with the \$0.13 Unit private placement and issued 1,011,374 compensation warrants to agents with an exercise price of \$0.14 (Note 10). The fair value of the 2018 Agent's Warrants was determined to be \$21,973 based on the Black-Scholes pricing model using a risk-free interest rate of 2.9%, expected volatility of 39%, dividend yield of 0%, and a contractual term of two years.

Warrants exercised during the nine months ended July 31, 2018 are discussed in Note 10.

The warrants exercised during the nine months ended July 31, 2018 had an intrinsic value of \$447,185.

No warrants were issued or exercised during the nine months ended July 31, 2017.

Summarized information about warrants outstanding and exercisable at July 31, 2018 is as follows:

Warrants Outstanding and Exercisable			
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
\$ 0.08	357,925	0.94	\$ 0.08
0.10	15,800,000	0.95	0.10
0.12	4,340,000	0.97	0.12
0.14	1,011,374	1.98	0.14
0.16	10,888,154	1.98	0.16
\$ 0.08 – 0.16	32,397,453	1.33	\$ 0.12

If the closing price of the common stock on the TSX is higher than \$CDN 0.30 for 20 consecutive trading days, then on the 20th consecutive trading day (the "Acceleration Trigger Date") the expiry date of the above \$0.12 warrants may be accelerated to the 20th trading day after the Acceleration Trigger Date by the issuance, within three trading days of the Acceleration Trigger Date, of a news release announcing such acceleration.

The Company's warrants with a \$CDN exercise price have been recognized as a derivative liability. The following is a summary of the Company's warrant derivative liability at July 31, 2018 and October 31, 2017:

Warrant derivative liability at October 31, 2017:	\$ 341,717
Change in fair value of warrant derivative liability	640,196
Reclassification to additional paid-in capital upon exercise of warrants	(447,185)
Warrant derivative liability at July 31, 2018	\$ 534,728

NOTE 13 – FINANCIAL INSTRUMENTS

Fair Value Measurements

All financial assets and financial liabilities are recorded at fair value on initial recognition. Transaction costs are expensed when they are incurred, unless they are directly attributable to the acquisition of financial assets or the assumption of liabilities carried at amortized cost, in which case the transaction costs adjust the carrying amount.

The three levels of the fair value hierarchy are as follows:

Level 1	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
Level 2	Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
Level 3	Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

Under fair value accounting, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's financial instruments consist of cash and cash equivalents, accounts payable, stock option liability and warrant derivative liability.

The carrying amounts of cash and cash equivalents and accounts payable approximate fair value at July 31, 2018 and October 31, 2017 due to the short maturities of these financial instruments.

Derivative liability

The Company classifies warrants with a \$CDN exercise price on its interim condensed consolidated balance sheets as a derivative liability which is fair valued at each reporting period subsequent to the initial issuance as the functional currency of Silver Bull is the U.S. Dollar. The Company has used the Black-Scholes pricing model to determine the fair value of the warrants that do not have an acceleration feature and has used the Monte Carlo valuation model to determine the fair value of the warrants that do have an acceleration feature (Note 12). Determining the appropriate fair-value model and calculating the fair value of warrants requires considerable judgment. Any change in the estimates used may cause the value to be higher or lower than that reported. The estimated volatility of the Company's common stock at the date of issuance, and at each subsequent reporting period, is based on the historical volatility adjusted to reflect the implicit discount to historical volatilities observed in the prices of traded warrants. The risk-free interest rate is based on rates published by the government for bonds with a maturity similar to the expected remaining life of the warrants at the valuation date. The expected life of the warrants is assumed to be equivalent to their remaining contractual term. The dividend yield is expected to be none as the Company has not paid dividends nor does the Company anticipate paying a dividend in the foreseeable future.

The Company reclassifies stock options granted to consultants with a \$CDN exercise price on its interim condensed consolidated balance sheets upon vesting as a stock option liability which is fair valued at each reporting period subsequent to reclassification as the functional currency of Silver Bull is the U.S. Dollar. The Company has used the Black-Scholes pricing model to fair value these stock options. Determining the appropriate fair-value model and calculating the fair value of these stock options requires considerable judgment. Any change in the estimates used may cause the value to be higher or lower than that reported. The estimated volatility of the Company's common stock at the date of reclassification, and at each subsequent reporting period, is based on the historical volatility of the Company's common stock and adjusted if future volatility is expected to vary from historical experience. The risk-free interest rate is based on rates published by the government for bonds with a maturity similar to the expected remaining life of the options at the valuation date. The expected life of the options is based upon historical and expected future exercise behavior. The dividend yield is expected to be none as the Company has not paid dividends nor does the Company anticipate paying any dividend in the foreseeable future.

The derivatives are not traded in an active market and the fair value is determined using valuation techniques. The estimates may be significantly different from those recorded in the interim condensed consolidated financial statements because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market. All changes in the fair value are recorded in the interim condensed consolidated statement of operations and comprehensive loss each reporting period. These are considered to be a Level 3 financial instrument.

The Company has the following liabilities under the fair value hierarchy:

Liability	July 31, 2018		
	Level 1	Level 2	Level 3
Stock option liability	\$ —	\$ —	\$ 15,495
Warrant derivative liability	\$ —	\$ —	\$ 534,728

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. To mitigate exposure to credit risk on financial assets, the Company has established policies to ensure liquidity of funds and ensure that counterparties demonstrate acceptable levels of creditworthiness.

The Company maintains its U.S. dollar and Canadian dollar cash and cash equivalents in bank and demand deposit accounts with major financial institutions with high credit standings. Cash deposits held in the United States are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000, and Canadian dollar cash deposits held in Canada are insured by the Canada Deposit Insurance Corporation ("CDIC") for up to \$CDN 100,000. Certain United States and Canadian bank accounts held by the Company exceed these federally insured limits or are uninsured as they relate to U.S. dollar deposits held in Canadian financial institutions. As of July 31, 2018, and October 31, 2017, the Company's cash and cash equivalent balances held in United States and Canadian financial institutions included \$3,230,582 and \$578,773, respectively, which was not insured by the FDIC or CDIC, respectively. The Company has not experienced any losses on such accounts, and management believes that using major financial institutions with high credit ratings mitigates the credit risk to cash and cash equivalents.

The Company also maintains cash in bank accounts in Mexico. These accounts are denominated in the local currency and are considered uninsured. As of July 31, 2018, and October 31, 2017, the U.S. dollar equivalent balance for these accounts was \$21,645 and \$25,408, respectively.

Interest Rate Risk

The Company holds substantially all of its cash and cash equivalents in bank and demand deposit accounts with major financial institutions. The interest rates received on these balances may fluctuate with changes in economic conditions. Based on the average cash and cash equivalent balances during the nine months ended July 31, 2018, a 1% decrease in interest rates would have resulted in a reduction of approximately \$2,068 in interest income for the period.

Foreign Currency Exchange Risk

The Company is not subject to any significant market risk related to foreign currency exchange rate fluctuations.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Compliance with Environmental Regulations

The Company's exploration activities are subject to laws and regulations controlling not only the exploration and mining of mineral properties, but also the effect of such activities on the environment. Compliance with such laws and regulations may necessitate additional capital outlays or affect the economics of a project, and cause changes or delays in the Company's activities.

Property Concessions in Mexico

To properly maintain property concessions in Mexico, the Company is required to pay a semi-annual fee to the Mexican government and complete annual assessment work.

Royalty

The Company has agreed to pay a 2% net smelter return royalty on certain property concessions within the Sierra Mojada Property based on the revenue generated from production. Total payments under this royalty are limited to \$6.875 million (the "Royalty").

Litigation and Claims

On May 20, 2014, a cooperative named Sociedad Cooperativa de Exploración Minera Mineros Norteños, S.C.L. ("Mineros Norteños") filed an action in the Local First Civil Court in the District of Morelos, State of Chihuahua, Mexico, against the Company's subsidiary, Minera Metalin, claiming that Minera Metalin breached an agreement regarding the development of the Sierra Mojada Property. Mineros Norteños sought payment of the Royalty, including interest at a rate of 6% per annum since August 30, 2004, even though no revenue has been produced from the applicable mining concessions. It also sought payment of wages to the cooperative's members since August 30, 2004, even though none of the individuals were hired or performed work for Minera Metalin under this agreement and Minera Metalin did not commit to hiring them. On January 19, 2015, the case was moved to the Third District Court (of Federal jurisdiction). On October 4, 2017, the court ruled that Mineros Norteños was time barred from bringing the case. On October 19, 2017, Mineros Norteños appealed this ruling. The Company and the Company's Mexican legal counsel believe that it is unlikely that the court's ruling will be overturned. The Company has not accrued any amounts in its interim condensed consolidated financial statements with respect to this claim.

On February 15, 2016, Messrs. Jaime Valdez Farias and Maria Asuncion Perez Alonso (collectively, "Valdez") filed an action before the Local First Civil Court of Torreon, State of Coahuila, Mexico, against the Company's subsidiary, Minera Metalin, claiming that Minera Metalin had breached an agreement regarding the development of the Sierra Mojada Property. Valdez sought payment in the amount of \$5.9 million for the alleged breach of the agreement. On April 28, 2016, Minera Metalin filed its response to the complaint, asserting various defenses, including that Minera Metalin terminated the agreement before the payment obligations arose and that certain conditions precedent to such payment obligations were never satisfied by Valdez. The Company and the Company's Mexican legal counsel asserted all applicable defenses. In May 2017, a final judgment was entered finding for the Company, the defendant, acquitting the Company of all of the plaintiff's claims and demands. The Company did not accrue any amounts in its interim condensed consolidated financial statements with respect to this claim.

From time to time, the Company is involved in other disputes, claims, proceedings and legal actions arising in the ordinary course of business. The Company intends to vigorously defend all claims against the Company, and pursue its full legal rights in cases where the Company has been harmed. Although the ultimate outcome of these proceedings cannot be accurately predicted due to the inherent uncertainty of litigation, in the opinion of management, based upon current information, no other currently pending or overtly threatened proceeding is expected to have a material adverse effect on the Company's business, financial condition or results of operations.

NOTE 15 – SEGMENT INFORMATION

The Company operates in a single reportable segment: the exploration of mineral property interests. The Company has mineral property interests in Sierra Mojada, Mexico.

Geographic information is approximately as follows:

	For the Three Months Ended July 31,		For the Nine Months Ended July 31,	
	2018	2017	2018	2017
Mexico	\$ (218,000)	\$ (86,000)	\$ (536,000)	\$ (693,000)
Canada	293,000	(233,000)	(1,720,000)	(895,000)
Gabon	-	127,000	-	213,000
Net Loss	<u>\$ 75,000</u>	<u>\$ (192,000)</u>	<u>\$ (2,256,000)</u>	<u>\$ (1,375,000)</u>

The following table details the allocation of assets included in the accompanying balance sheet at July 31, 2018:

	Canada	Mexico	Total
Cash and cash equivalents	\$ 3,307,000	\$ 22,000	\$ 3,329,000
Value-added tax receivable, net	-	175,000	175,000
Other receivables	16,000	1,000	17,000
Prepaid expenses and deposits	217,000	212,000	429,000
Office and mining equipment, net	-	188,000	188,000
Property concessions	-	5,020,000	5,020,000
Goodwill	-	2,058,000	2,058,000
	<u>\$ 3,540,000</u>	<u>\$ 7,676,000</u>	<u>\$ 11,216,000</u>

The following table details the allocation of assets included in the accompanying balance sheet at October 31, 2017:

	Canada	Mexico	Total
Cash and cash equivalents	\$ 657,000	\$ 25,000	\$ 682,000
Value-added tax receivable, net	-	157,000	157,000
Other receivables	4,000	1,000	5,000
Prepaid expenses and deposits	102,000	15,000	117,000
Office and mining equipment, net	-	209,000	209,000
Property concessions	-	5,004,000	5,004,000
Goodwill	-	2,058,000	2,058,000
	<u>\$ 763,000</u>	<u>\$ 7,469,000</u>	<u>\$ 8,232,000</u>

The Company has significant assets in Coahuila, Mexico. Although Mexico is generally considered economically stable, it is always possible that unanticipated events in Mexico could disrupt the Company's operations. The Mexican government does not require foreign entities to maintain cash reserves in Mexico.

The following table details the allocation of exploration and property holding costs for the exploration properties:

	For the Three Months Ended July 31,		For the Nine Months Ended July 31,	
	2018	2017	2018	2017
Exploration and property holding costs for the period				
Mexico Sierra Mojada	\$ (211,000)	\$ (123,000)	\$ (502,000)	\$ (733,000)
Gabon Mitzic	-	(2,000)	-	31,000
	<u>\$ (211,000)</u>	<u>\$ (125,000)</u>	<u>\$ (502,000)</u>	<u>\$ (702,000)</u>

NOTE 16 – SUBSEQUENT EVENT

On August 20, 2018, the Company completed the second and final tranche of the \$0.13 Unit private placement for 7,365,555 units for gross proceeds of \$957,522.