**INV METALS INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2018 AND 2017**

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of INV Metals Inc. (the "INV Metals" or the "Company") were prepared by management in accordance with International Financial Reporting Standards ('IFRS") as issued by the International Accounting Standards Board ("IASB"). Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

In discharging its responsibility for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, financial records are properly maintained, and relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee has the responsibility of meeting with management and the independent auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders. The Board is also responsible for recommending the appointment of the Company's external independent auditors.

The Company's independent auditors audit the consolidated financial statements annually on behalf of the Company's shareholders. The Company's independent auditors have full and free access to management and the Audit Committee to discuss the scope of their audits, the adequacy of the system of internal controls and review financial reporting issues.

| | |
|---|---|
| *(signed) "Candace MacGibbon"* | *(signed) "Sunny Lowe"* |
| Chief Executive Officer | Chief Financial Officer |

March 28, 2019

# Independent auditor's report

To the Shareholders of INV Metals Inc.

## Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of INV Metals Inc. and its subsidiaries (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

**What we have audited**

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of loss and comprehensive income and loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

## Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

## Material uncertainty related to going concern

We draw attention to note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

*PricewaterhouseCoopers LLP*
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## *Other information*

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## *Responsibilities of management and those charged with governance for the consolidated financial statements*

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

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

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

## *Auditor's responsibilities for the audit of the consolidated financial statements*

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Marelize Barber.

**(signed) "PricewaterhouseCoopers LLP"**

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 28, 2019

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**(IN CANADIAN DOLLARS)**

| *As at* | | **December 31, 2018** | | December 31, 2017 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash | **$** | **3,747,042** | $ | 19,139,960 |
| Other receivables (note 5) | | **368,666** | | 715,710 |
| **Total current assets** | | **4,115,708** | | 19,855,670 |
| | | | | |
| **Non-current assets** | | | | |
| Investments (note 6) | | **469,657** | | 577,868 |
| Property, plant and equipment (note 7) | | **380,978** | | 339,618 |
| Exploration and evaluation assets (note 8) | | **75,263,964** | | 57,407,535 |
| **Total non-current assets** | | **76,114,599** | | 58,325,021 |
| **Total assets** | **$** | **80,230,307** | $ | 78,180,691 |
| | | | | |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Other payables (note 9) | **$** | **1,649,955** | $ | 1,199,672 |
| **Total current liabilities** | | **1,649,955** | | 1,199,672 |
| | | | | |
| **Non-current liabilities** | | | | |
| Provisions (note 10) | | **948,081** | | 974,636 |
| **Total non-current liabilities** | | **948,081** | | 974,636 |
| **Total liabilities** | | **2,598,036** | | 2,174,308 |
| | | | | |
| **Equity** | | | | |
| Share capital (note 11) | | **135,787,827** | | 135,803,542 |
| Contributed surplus (note 12) | | **13,775,952** | | 12,643,569 |
| Deficit | | **(83,454,702)** | | (79,074,524) |
| Accumulated other comprehensive income | | **11,523,194** | | 6,633,796 |
| **Total equity attributed to equity holders of the Company** | | **77,632,271** | | 76,006,383 |
| **Total liabilities and equity** | **$** | **80,230,307** | $ | 78,180,691 |

Nature of operations and going concern (note 1)
Commitment and contingencies (note 18)
Subsequent events (note 21)

Approved on behalf of the Board of Directors

*(signed) "Terry MacGibbon"*
Director

*(signed) "Eric Klein"*
Director

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

**(IN CANADIAN DOLLARS)**

| | | **December 31, 2018** | | December 31, 2017 |
|---|---|---|---|---|
| **Operations** | | | | |
| General and administration (note 15) | **$** | **602,348** | $ | 661,906 |
| Compensation (note 15) | | **3,607,835** | | 2,871,099 |
| Professional fees | | **183,709** | | 219,244 |
| Write-down of exploration property | | **-** | | 516,923 |
| Fair value (gain)/loss on investments | | **143,166** | | (218,930) |
| Other expenses and general exploration | | **-** | | 912,969 |
| Foreign exchange (gain)/loss | | **(3,720)** | | 10,579 |
| **Operating loss** | | **4,533,338** | | 4,973,790 |
| Finance income | | **(153,160)** | | (215,789) |
| **Total loss for the year** | **$** | **4,380,178** | $ | 4,758,001 |
| **Other comprehensive (income)/loss** | | | | |
| Items that may be reclassified to profit or loss | | | | |
| Cumulative translation adjustment | | **(4,889,398)** | | 3,652,405 |
| **Total comprehensive (income)/loss for the year** | **$** | **(509,220)** | $ | 8,410,406 |
| **Basic and diluted total loss per share from continuing operations** (note 11) | **$** | **0.05** | $ | 0.05 |

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

**(IN CANADIAN DOLLARS)**

*Equity attributable to owners of the Company*

| | Share Capital | Contributed Surplus | Deficit | Accumulated Other Comprehensive Income/(Loss) | Total |
|---|---|---|---|---|---|
| **Balance January 1, 2018** | **$ 135,803,542** | **$ 12,643,569** | **$ (79,074,524)** | **$ 6,633,796** | **$ 76,006,383** |
| Total loss for the year | **-** | **-** | **(4,380,178)** | **-** | **(4,380,178)** |
| Cumulative translation adjustment | **-** | **-** | **-** | **4,889,398** | **4,889,398** |
| **Total comprehensive income/(loss) for the year** | **-** | **-** | **(4,380,178)** | **4,889,398** | **509,220** |
| Issuance of shares - transaction costs | **(30,000)** | **-** | **-** | **-** | **(30,000)** |
| Issuance of shares - restricted share unit exercise (note 12) | **14,285** | **(14,285)** | **-** | **-** | **-** |
| Share-based compensation (note 12) | **-** | **1,146,668** | **-** | **-** | **1,146,668** |
| **Transactions directly attributed to equity** | **(15,715)** | **1,132,383** | **-** | **-** | **1,116,668** |
| **Balance December 31, 2018** | **$ 135,787,827** | **$ 13,775,952** | **$ (83,454,702)** | **$ 11,523,194** | **$ 77,632,271** |

*Equity attributable to owners of the Company*

| | Share Capital | Contributed Surplus | Deficit | Accumulated Other Comprehensive Income/(Loss) | Total |
|---|---|---|---|---|---|
| Balance January 1, 2017 | $ 110,359,748 | $ 11,479,822 | $ (74,316,523) | $ 10,286,201 | $ 57,809,248 |
| Total loss for the year | - | - | (4,758,001) | - | (4,758,001) |
| Cumulative translation adjustment | - | - | - | (3,652,405) | (3,652,405) |
| Total comprehensive loss for the year | - | - | (4,758,001) | (3,652,405) | (8,410,406) |
| Issuance of shares - equity financing | 25,306,867 | - | - | - | 25,306,867 |
| Issuance of shares - restricted share unit exercise | 136,927 | (136,927) | - | - | - |
| Share-based compensation | - | 1,300,674 | - | - | 1,300,674 |
| Transactions directly attributed to equity | 25,443,794 | 1,163,747 | - | - | 26,607,541 |
| Balance December 31, 2017 | $ 135,803,542 | $ 12,643,569 | $ (79,074,524) | $ 6,633,796 | $ 76,006,383 |

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

**(IN CANADIAN DOLLARS)**

| *For the years ended* | **December 31, 2018** | December 31, 2017 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Total loss for the year | **$ (4,380,178)** | $ (4,758,001) |
| Adjustments for: | | |
| Write-down of exploration property | **-** | 516,923 |
| Unrealized fair value gain on investments | **143,166** | (218,930) |
| Depreciation | **3,650** | 6,209 |
| Change in long-term provisions | **(108,812)** | 407,865 |
| Finance income | **(153,160)** | (215,789) |
| Unrealized loss on foreign exchange | **13,567** | (60,044) |
| Share-based compensation (note 12) | **1,017,612** | 1,100,100 |
| | **(3,464,155)** | (3,221,667) |
| Change in items of working capital: | | |
| Change in other receivables | **354,554** | (587,521) |
| Change in other payables | **306,668** | 354,044 |
| | **661,222** | (233,477) |
| Net cash used in operating activities | **(2,802,933)** | (3,455,144) |
| **Cash flows from investing activities** | | |
| Interest received | **153,160** | 215,789 |
| Additions to exploration properties (note 8) | **(12,681,935)** | (11,678,756) |
| Additions of property, plant and equipment (note 7) | **(14,267)** | - |
| Net cash used in investing activities | **(12,543,042)** | (11,462,967) |
| **Cash flows from financing activities** | | |
| Net proceeds from equity financing | **(30,000)** | 25,306,867 |
| Net cash sources (used in)/from financing activities | **(30,000)** | 25,306,867 |
| **Net increase/(decrease) in cash** | **(15,375,975)** | 10,388,756 |
| **Cash, beginning of period** | **19,139,960** | 8,737,850 |
| **Effect of exchange rate fluctuations on cash held** | **(16,943)** | 13,354 |
| **Cash, end of period** | **$ 3,747,042** | $ 19,139,960 |

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

## 1) Nature of operations and going concern

INV Metals Inc. ("INV Metals" or the "Company") is a publicly listed company incorporated in Canada. The address of the Company's registered office is 55 University Avenue, Suite 700, Toronto, Ontario, Canada. The consolidated financial statements of the Company as at and for the years ended December 31, 2018 and 2017 ("Financial Statements") include the Company and its subsidiaries (together the "Group" and individually as "Group entities").

The Company is an international mineral resource company focused on the acquisition, exploration and development of precious and base metal projects, primarily in Ecuador. The Company is focused on the development and exploration of its 100% owned Loma Larga (formerly Quimsacocha) gold property, as well as on the exploration of its other 100% owned exploration concession, all located in Ecuador.

The Financial Statements have been prepared using International Financial Reporting Standards ('IFRS") applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due for the foreseeable future. The Company has no operating cash flow from a producing mine and therefore must utilize its current cash reserves, income from short term investments and deposits, and other financing transactions to maintain its capacity to meet working capital requirements and planned corporate expenditures, as well as to fund the development of Loma Larga and other exploration activities. It is not possible to predict whether adequate financing will be available in the future on acceptable terms. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern and to realize its assets and discharge its liabilities in the normal course of business and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. Such adjustments could be material. Although the Company has been successful in the past to obtain financing, there can be no assurances that the steps management is taking, and will continue to take, will be successful in future reporting periods or that such financing will be on terms advantageous to the Company.

As at December 31, 2018, the Company had cash balance of $3,747,042 (2017 - $19,139,960), accounts payables and accrued liabilities of $1,649,955 (2017 - $1,199,672) and working capital[1] of $2,465,753 (2017 - $18,655,998). The majority of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. For the year ended December 31, 2018, the Company recorded a total loss of $4,380,178 (2017 - $4,758,001), a net cash used in operating activities of $2,802,933 (2017 - $3,455,144), a net cash used in investing activities of $12,543,042 (2017 - $11,462,967) and a net cash used in financing activities of $30,000 (2017 - net cash generated from financing activities of $25,306,867). See note 18 and 21 for details on commitment and the subsequent event on financing.

## 2) Basis of preparation

### a) *Statement of compliance*

The Financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). The Company's significant accounting policies are presented in note 3 and have been consistently applied in each of the periods presented other than as noted in note 4.

[1] "Working capital" is a non-IFRS measure and is calculated as total current assets less total current liabilities.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are further disclosed within this note.

These Financial Statements were approved by the Board of Directors for issue on March 28, 2019.

### b) *Basis of measurement*

The Financial Statements have been prepared under the historical cost convention, except for certain financial assets and financial liabilities, which are measured at fair value.

### c) *Functional and presentation currency*

The Financial Statements are presented in Canadian dollars. Items included in the Financial Statements of each consolidating entity of the Company are measured using the currency of the primary economic environment in which the entity operates in (the "functional currency"). The Group was evaluated on an individual basis and was each determined to have Canadian dollar functional currencies, with the exception of INV Minerales Ecuador S.A. ("INV Minerales"), whose functional currency is the United States ("US") dollar.

### d) *Critical judgements and key sources of estimation*

The preparation of the Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by management on an ongoing basis. The estimates and judgments include functional currency, impairment of financial and non-financial assets, share-based payments, post-employment benefits and income taxes. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following discusses the most critical judgments and key sources of estimation that the Company has made in the preparation of the Financial Statements:

#### *i) Functional currency*

Management determined the US dollar is the functional currency of INV Minerales as the entity's currency is that of the economic environment of the Company's operations in Ecuador and is the currency of the majority of its expenditures. The Canadian dollar is the functional currency of INV Metals and its other subsidiaries as the Company's capital receipts are denominated in Canadian dollars, and INV Metals finances the Group's expenditures using Canadian dollars.

***ii) Impairment of non-financial assets***

The Company evaluates its non-financial assets for impairment periodically and whenever events or changes in circumstances indicate the carrying amount may not be recoverable. If any such indication is present, the Company is required to estimate the asset's recoverable amount to determine whether impairment exists. The recoverable amount is the greater of fair value less costs of disposal and value-in-use. If the recoverable amount of a non-financial asset is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount and an impairment is recognized immediately in operations. Where a previously recognized impairment subsequently reverses, the carrying amount is increased to the revised estimate of the recoverable amount, but only to the extent that this does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had previously been recognized. Any subsequent reversal of an impairment loss is also recognized in operations.

The estimates of recoverable amounts for exploration and evaluation assets were determined based on management's assessment of its recoverable fair value less costs to dispose using indications from a third-party and based on management's future plans related to the exploration properties. In estimating fair value less costs of disposal, management's judgement was involved in interpreting third-party information and property data to arrive at a measurement of the recoverable amount of the property. An amount of $516,923 is included in the consolidated statement of loss and comprehensive (income)/loss for the year ended December 31, 2017 relating to the write-down of the Kaoko property. No impairment amount has been recorded during the year ended December 31, 2018. See note 8 for further details.

***iii) Share based payments***

The fair value of options and potential shares to be issued relating to milestone payments are estimated using an option pricing valuation model. This includes using assumptions related to the risk-free interest rate determined by the Government of Canada marketable three to five year average bond yields, the expected average option life based on management's assumptions of member enrollment, estimated forfeitures based on historical activity of the plan members and the estimated volatility of the Company's shares based on historical market prices. The fair value of restricted share units is recognized based on the market value of the Company's common shares on the date prior to the date of the grant.

***iv) Post-employment benefits***

Judgement is required in interpreting the results and evaluating the adequacy of the assumptions used in an annual actuarial valuation performed by an independent actuary to arrive at a measurement of the employee post-employment benefits provision under the Defined Benefits Pension Plan in Ecuador. The values attributed to the liabilities are assessed in accordance with the advice of independent qualified actuaries. The most significant assumptions used in accounting for post-employment benefits are the discount rate, the mortality rate, and the employee turnover assumptions. An amount of $948,081 (2017: 974,636) is recognized within the provisions in relation to the Defined Benefits Pension Plan in Ecuador. See note 10 for further details.

### *v) Income taxes*

Judgment is required in determining whether deferred tax assets are recognized. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. As at December 31, 2018, the Company has non-capital losses of $30,111,364 in Canada that expire over the periods of 2026 to 2038 and other deductible temporary differences. The Company has not recognized the benefit of these items in the Financial Statements. Refer to note 19 for further details.

## 3) Significant accounting policies

The Company's accounting policies have been consistently applied to all periods presented in these Financial Statements, except as disclosed in note 4, which is applicable starting January 1, 2018.

### *a) Basis of consolidation*

The Financial Statements of INV Metals consolidate the results of the Company and its wholly owned subsidiaries: INV Condor Ltd., INV Minerales, INV São José Inc., INV Exploration Namibia (PTY) Ltd. and INV (Barbados) Ltd. A subsidiary is an entity controlled by the Company. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is obtained by the Company and are de-consolidated from the date that control ceases to exist. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

### *b) Foreign currency transactions and balances*

Foreign currency transactions are translated into the functional currency of entities using the exchange rates prevailing at the dates of the transactions or an appropriate average exchange rate. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the consolidated statement of comprehensive (income)/loss. Foreign currency gains and losses are reported on a net basis.

### *c) Cash*

Cash consists of cash on-hand and short term deposits with original maturity less than 3 months held with banks.

### *d) Financial instruments – IFRS 9*

The accounting policies applied under IFRS 9, Financial Instruments: ("IFRS 9") in the consolidated financial statements for the year ended December 31, 2018 are listed below.

Financial assets and liabilities are recognized when the Company 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 Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires. At initial recognition, the Company classifies its financial instruments in the following categories:

***i) Financial assets at amortized cost***

Financial assets classified as amortized cost are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. The Company's loans and receivables, which are not provisionally priced, are comprised of cash and interest receivable with fixed or determined cash flows related solely to principal and interest amounts. Financial assets at amortized cost are initially recognized at fair value, net of any transaction costs incurred. Subsequently, loans and receivables are measured at amortized cost using the effective interest method. The Company recognizes a loss allowance for expected credit losses on a financial asset that is measured at amortized cost when applicable.

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

Financial assets that are not classified as amortized cost or at fair value through other comprehensive income are classified as and measured at FVTPL. Changes in fair values of FVTPL assets are recorded in the period in which they arise. The Company currently has investments in marketable securities measured at FVTPL. Refer to note 6. The Company's cash and cash equivalents are also classified as financial assets measured at FVTPL.

***iii) Financial liabilities at amortized cost***

Financial liabilities at amortized cost include other payables, unless they are required to be measured at FVTPL, or the Company has opted to measure them at FVTPL. Other payables are comprised of trade payables and accrued liabilities and are initially recognized at fair value. Measurement of financial liabilities subsequent to initial recognition depends on whether they are classified as amortized cost or FVPL. Financial liabilities classified as amortized cost are measured subsequent to initial recognition using the effective interest method.

***iv) Financial liabilities at FVTPL***

Financial liabilities at FVTPL are liabilities which include embedded derivatives and cannot be classified as amortized cost. Financial liabilities at FVTPL are initially recognized at fair value with any changes to fair value recognized in the consolidated statement of loss and comprehensive (income)/loss in the period in which they arise. The Company does not currently have any financial liabilities at FVTPL.

***e) Financial instruments – IAS 39***

The Company has adopted IFRS 9, which replaced IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"), on a retrospective basis. In accordance with the transitional provisions, the comparative information for prior periods have not been restated and the information presented for the year ended December 31, 2017 reflects the requirements of IAS 39 rather than IFRS 9. Classification of financial instruments under IFRS did not have a material impact on the Company's Financial Statements. Further, no material changes were noted as a result of the new impairment model, and the Company does not currently engage in any hedging activity and is therefore not affected by the new hedge accounting guidance. Financial liabilities continue to be measured at amortized cost. See note 4.

### *f) Property, plant and equipment*

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. The major categories of property, plant and equipment are depreciated on a straight-line basis or declining balance basis as follows:

| | |
|---|---|
| Office equipment | 10 years or 20% |
| Computer equipment | 3 - 10 years or 30% |

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its material significant parts and depreciates each separately. Residual values, method of depreciation and useful lives of the asset are reviewed annually and adjusted, if appropriate. Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying value of the asset and are included as part of general and administration in the statement of loss and comprehensive (income)/loss.

### *g) Exploration properties*

Exploration and evaluation costs are capitalized as exploration properties on a project-by-project basis pending determination of the technical feasibility and the commercial viability of the project. Capitalized costs include costs directly related to exploration and evaluation activities in the property's area of interest.

General and administrative costs are allocated to the exploration property to the extent that the costs are directly related to activities in the relevant area of interest. Costs incurred before the legal rights are obtained to explore an area and costs relating to a relinquished or abandoned license are recognized in the consolidated statement of loss and comprehensive (income)/loss.

Upon the determination of the technical feasibility and commercial viability of a project, exploration properties attributable to those projects are reclassified from exploration properties to development properties. Exploration and evaluation assets shall be assessed for impairment and any impairment losses will be recognized before such reclassification.

### *h) Impairment of non-financial assets*

At each financial position reporting date, the carrying amounts of the Company's assets, including exploration properties and property, plant and equipment, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. For the purpose of measuring recoverable amounts, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units or "CGUs"). INV Metals considers geographical exploration properties as CGUs.

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows, if any, are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of a CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statement of loss and comprehensive (income)/loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is only reversed to the extent that the CGU's carrying value amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had previously been recognized.

### *i) Share-based payment transactions*

The Company has share-based equity-settled compensation plans. The Company recognizes as an expense the cost of share-based compensation based on the estimated fair value of new share options and restricted share units granted to employees, consultants, officers and directors. The fair value of each share-based payment granted is estimated on the date of the grant using the Black-Scholes and other option-pricing models and is expensed over the vesting period. Generally, share options vest over two years and expire after five years.

Each tranche of a share award is considered a separate award with its own vesting period and grant date fair value. Compensation expense is recognized over the tranche's vesting period based on the number of awards expected to vest, by increasing contributed surplus. The fair value of each restricted share unit or share option granted is calculated on the date of the grant using the closing market share price on the date prior to the grant and is expensed over the vesting period, unless the optionee's compensation has been capitalized to exploration properties, if so, the fair value of the units is capitalized to exploration properties. Forfeitures of stock options and restricted share units are estimated based on the history of forfeited options or restricted share units and are factored into the fair value calculation.

### *j) Income taxes*

The Company does not have any income from operations and therefore does not have any current income tax expenses.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. It is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

### *k) Share capital*

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

### *l) Lease payments*

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in the consolidated statement of loss and comprehensive (income)/loss over the lease period. Lease incentives received are recognized as part of the total lease expense over the term of the lease.

### *m) Basic and diluted loss per share*

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the total loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for potential dilutive instruments. The number of shares with respect to options, warrants and restricted shares is computed using the treasury stock method. Under this method, the dilutive effect of loss per share is recognized on the use of proceeds that could be obtained from the exercise of options, warrants and similar instruments, if dilutive.

The Company incurred net losses for each of the years ended December 31, 2018 and 2017, therefore all outstanding stock options, warrants, and restricted share units have been excluded from the calculation of diluted loss per share since the effect would be anti-dilutive.

### *n) Provisions*

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by the Company's best estimate of the present obligation at the date of the reporting period. Refer to note 10.

### *o) Finance income and finance costs*

Finance income comprises interest income on funds earned on the cash balance of the Company. Interest income is recognized as it accrues in comprehensive loss. Finance costs are comprised of interest and bank charges on the Company's bank balances.

## 4) IFRS accounting pronouncements

### a) *Changes in IFRS effective for the first time*

The following new standards are effective for annual periods beginning on or after January 1, 2018. The Company has assessed the standards and determined that there are no material impacts on the Financial Statements.

(IN CANADIAN DOLLARS)**

### *i) IFRS 9, Financial Instruments*

The Company adopted IFRS 9 effective January 1, 2018, which replaced IAS 39, on a retrospective basis. In accordance with the transitional provisions, the comparative information for prior periods have not been restated and the information presented for the year ended December 31, 2017 reflects the requirements of IAS 39 rather than IFRS 9. Classification of financial instruments under IFRS did not have a material impact on the Company's Financial Statements. Further, no material changes were noted as a result of the new impairment model, and the Company does not currently engage in any hedging activity and is therefore not affected by the new hedge accounting guidance. Financial liabilities continue to be measured at amortized cost.

The adoption of IFRS 9 did not impact the carrying value of any financial asset or financial liability on the transition date. The table below illustrates the change in classification of the Company's financial instruments under IFRS 9 from IAS 39.

| | ***IFRS 9*** | ***IAS 39*** | |
|---|---|---|---|
| **Line Item** | **New Classification** | **Original Classification** | **Measurement Model** |
| Cash | FVTPL | FVTPL | FVTPL |
| Investments | FVTPL | FVTPL | FVTPL |
| Other receivables | Amortized cost | Loans and receivables | Amortized cost |
| Other payables | Amortized cost | Amortized cost | Amortized cost |
| Provisions | Amortized cost | Amortized cost | Amortized cost |

### *ii) IFRS 15, Revenue from Contracts with Customers*

IFRS 15, Revenue from Contracts with Customers ("IFRS 15") was issued in May 2014 and specifies the principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The standard provides a single five step model to be applied to all contracts with customers. In April 2016 the standard was amended to clarify identification of performance obligations, principal versus agent considerations and licensing, and to provide some transition relief for modified contracts and completed contracts.

The Company adopted IFRS 15 effective January 1, 2018. Given that the Company does not have revenue from contracts with customers, there is no impact on the Financial Statements from adoption of the standard.

### *iii) IFRIC 22, Foreign Currency Transactions and Advance Consideration*

IFRIC 22, Foreign Currency Transactions and Advance Consideration ("IFRIC 22") was issued in December 2016 to provide interpretation guidance where:

- there is consideration that is denominated or priced in a foreign currency,
- an entity recognises a prepayment or a deferred liability in respect of that consideration in advance of recognition of the related asset; and

- where the prepayment asset or deferred income liability is non-monetary.

On January 1, 2018, the Company adopted IFRIC 22, which clarifies the date that should be used for translation when a foreign currency transaction involves an advance consideration. The interpretation further clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of the advance consideration.

The adoption of IFRIC 22 did not have an impact on the Company’s Financial Statements and therefore an adjustment was not recognized on transition.

***iv) IFRS 2, Share-Based Payment***

Amendments to IFRS 2, Share-Based Payment (“IFRS 2”) were adopted on January 1, 2018 and clarifies the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modification of share-based payment transactions from cash-settled to equity-settled. There is no impact from adoption of the standard, as the Company’s share-based compensation plans do not presently employ these features.

**b) *Future accounting pronouncements***

The following revised interpretation and standards are effective for annual periods as noted below. The Company has not fully assessed the standards, interpretations and amendments, but does not expect them to have a material impact on the Company’s accounting or disclosures, except as disclosed in i) below.

***i) IFRS 16, Leases***

In January 2016, the IASB issued IFRS 16 “Leases” (“IFRS 16”), which replaces IAS 17 “Leases”, and is effective for annual periods beginning on or after January 1, 2019. IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for most leases on its balance sheet, as well as corresponding depreciation and interest expense. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The Company will adopt IFRS 16 for the annual period beginning January 1, 2019 using the modified retrospective approach. Under the modified retrospective approach, the Company recognizes transition adjustments, if any, in retained earnings or deficit on the date of initial application (January 1, 2019), without restating the financial statements on a retrospective basis.

The Company commenced its review of existing leases under the requirements of IFRS 16 in 2017 with further analysis and preliminary quantification of impacts during 2018. The Company assessed the impact of the new standard on its systems and processes and evaluated the practical expedients and policy choices that are available under the standard. As such, the Company will elect not to recognize assets and lease liabilities for short-term leases, that have a lease term of 12 months or less, and leases of low-value assets. Lease payments associated with these leases will be recognized as an expense over the lease term.

**(IN CANADIAN DOLLARS)**

The Company expects IFRS 16 will result in the recognition of additional lease liabilities and right-of-use assets on the balance sheet, a corresponding increase in depreciation and interest expense representing the accretion of the discount on the lease liability, and a decrease in lease and rental expenses. The Company also expects cash flow from operating activities to increase under IFRS 16 as lease payments for most leases will be recorded as financing outflows in the statement of cash flows.

As of the release of these Financial Statements, the Company has developed a detailed implementation and transition plan including related internal controls, identified the population of contracts within the Company, reviewed the contracts and segregated the contracts that contain leases, and determined the discount rate applicable to its leases. Based on the available information and analysis to-date, it is expected that the Company will record a material balance of lease assets and associated lease liabilities on the consolidated balance sheet at January 1, 2019.

### *ii) IFRIC 23, Uncertainty over Income Tax Treatments*

IFRIC 23, Uncertainty over Income Tax Treatments ("IFRIC 23") was issued in June 2017 and is to be applied to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. This interpretation becomes effective for annual periods beginning on or after January 1, 2019 and management did not apply the early adoption of the standard.

## 5) Other receivables

The following tables summarizes information regarding the Company's other receivables as at December 31, 2018 and 2017:

| *As at* | | **December 31, 2018** | | December 31, 2017 |
|---|---|---|---|---|
| **Other receivables** | | | | |
| Advances | **$** | **34,243** | $ | 359,600 |
| HST recoverable | | **282,251** | | 294,362 |
| Interest receivable | | **6,759** | | 21,366 |
| VAT recoverable | | **10,305** | | 9,535 |
| Prepaid expense | | **21,200** | | 17,387 |
| Deposits and other | | **13,908** | | 13,460 |
| | **$** | **368,666** | $ | 715,710 |

**(IN CANADIAN DOLLARS)**

## 6) Investments

The following table summarizes information regarding the Company`s financial assets that are measured at fair values as at December 31, 2018 and 2017:

| | December 31, 2018 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Recurring Measurements | | | | |
| Shares of Gungnir Resources Inc. | **$ 165,028** | **$ -** | **$ -** | **$ 165,028** |
| Shares of Northern Superior Resources Inc. | **16,876** | **-** | **-** | **16,876** |
| Term deposit | **-** | **287,753** | **-** | **287,753** |
| | **$ 181,904** | **$ 287,753** | **$ -** | **$ 469,657** |

| | December 31, 2017 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Recurring Measurements | | | | |
| Shares of Gungnir Resources Inc. | $ 294,694 | $ - | $ - | $ 294,694 |
| Shares of Northern Superior Resources Inc. | 30,375 | - | - | 30,375 |
| Term deposit | - | 252,799 | - | 252,799 |
| | $ 325,069 | $ 252,799 | $ - | $ 577,868 |

The Company uses the following hierarchy for determining and disclosing the fair value of financial assets which are measured at fair value by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

INV Minerales holds a term deposit related to its environmental management plan for ongoing expenditures related to environmental matters, the value of which is based on the quoted value of the term deposit from an Ecuadorian bank.

**(IN CANADIAN DOLLARS)**

## 7) Property, plant and equipment

**December 31, 2018**

| | Cost | | | | | Accumulated Depreciation | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Class** | **Opening Balance** | **Additions** | **Disposals** | **Exchange Differences** | **Closing Balance** | **Opening Balance** | **Depreciation Expense** | **Disposals** | **Exchange Differences** | **Closing Balance** | **Net Book Value** |
| **Computer equipment** | **$ 32,626** | **$ -** | **$ -** | **$ 1,439** | **$ 34,065** | **$ 28,500** | **$ 1,518** | **$ -** | **$ -** | **$ 30,018** | **$ 4,047** |
| **Office equipment** | **27,264** | **-** | **-** | **-** | **27,264** | **21,541** | **1,046** | **-** | **-** | **22,587** | **4,677** |
| **Field equipment** | **-** | **14,267** | **-** | **997** | **15,264** | **-** | **1,086** | **-** | **44** | **1,130** | **14,134** |
| **Land** | **329,769** | **-** | **-** | **28,351** | **358,120** | **-** | **-** | **-** | **-** | **-** | **358,120** |
| | **$ 389,659** | **$ 14,267** | **$ -** | **$ 30,787** | **$ 434,713** | **$ 50,041** | **$ 3,650** | **$ -** | **$ 44** | **$ 53,735** | **$ 380,978** |

December 31, 2017

| | Cost | | | | | Accumulated Depreciation | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Class | Opening Balance | Additions | Disposals | Exchange Differences | Closing Balance | Opening Balance | Depreciation Expense | Disposals | Exchange Differences | Closing Balance | Net Book Value |
| Computer equipment | 35,953 | - | - | (3,327) | 32,626 | 26,880 | 4,930 | - | (3,310) | 28,500 | 4,126 |
| Office equipment | 27,264 | - | - | - | 27,264 | 20,262 | 1,279 | - | - | 21,541 | 5,723 |
| Land | 353,048 | - | - | (23,279) | 329,769 | - | - | - | - | - | 329,769 |
| | $ 416,265 | $ - | $ - | $ (26,606) | $ 389,659 | $ 47,142 | $ 6,209 | $ - | $ (3,310) | $ 50,041 | $ 339,618 |

**(IN CANADIAN DOLLARS)**

## 8) Exploration and evaluation assets

The following table summarizes information regarding the Company's exploration and evaluation assets as at December 31, 2018 and 2017:

| | **December 31, 2018** | | | | |
|---|---|---|---|---|---|
| | **January 1, 2018** | **Additions** | **Write-down** | **Exchange Differences** | **December 31, 2018** |
| Ecuador property | | | | | |
| Loma Larga | **$ 55,936,133** | **$ 11,148,013** | **$ -** | **$ 4,629,813** | **$ 71,713,959** |
| Exploration Properties | **1,471,402** | **1,851,397** | **-** | **227,206** | **3,550,005** |
| | **$ 57,407,535** | **$ 12,999,410** | **$ -** | **$ 4,857,019** | **$ 75,263,964** |

| | December 31, 2017 | | | | |
|---|---|---|---|---|---|
| | January 1, 2017 | Additions | Write-down | Exchange Differences | December 31, 2017 |
| Ecuador property | | | | | |
| Loma Larga | $ 48,687,558 | $ 10,555,817 | $ - | $ (3,307,242) | $ 55,936,133 |
| Exploration Properties | - | 1,524,938 | - | (53,536) | 1,471,402 |
| Namibia property | | | | | |
| Kaoko | 516,923 | - | (516,923) | - | - |
| | $ 49,204,481 | $ 12,080,755 | $ (516,923) | $ (3,360,778) | $ 57,407,535 |

## 9) Other payables

The following table summarizes information regarding the Company's other payables as at December 31, 2018 and 2017:

| *As at* | **December 31, 2018** | December 31, 2017 |
|---|---|---|
| **Other Payables** | | |
| Accounts payable | **$ 1,214,140** | $ 855,296 |
| Accrued liabilities | **435,815** | 344,376 |
| | **$ 1,649,955** | $ 1,199,672 |

## 10) Provisions

The following table summarizes information regarding the Company's provisions as at December 31, 2018 and 2017, which comprise solely of post-employment benefits:

| *As at* | **December 31 2018** | December 31, 2017 |
|---|---|---|
| Beginning balance | **$ 974,636** | $ 613,764 |
| Change in estimate | **(108,814)** | 386,269 |
| Exchange differences | **82,259** | (25,397) |
| | **$ 948,081** | $ 974,636 |

**(IN CANADIAN DOLLARS)**

**Post-employment benefits**

INV Minerales provides post-employment benefit supplements as well as severance indemnities to employees in a Defined Benefits Plan. Under Ecuadorian Labour Law, the Company must provide statutorily mandated retirement and severance benefits to its employees terminated under certain circumstances. Such benefits consist of a pension for all employees with 25 years of service and severance indemnities for involuntary termination without cause. Upon involuntary termination, a one-time payment of the employee's last full remuneration multiplied by the number of full years of service, which should be a minimum of three months' remuneration to a maximum of 25 months' remuneration wages for each year of service, is payable to the employee. The Company accrues this benefit based on an annual actuarial study performed by an independent actuary.

Key assumptions used in the above estimate include an annual discount rate of 4.25%, an annual salary increase rate of 1.5% (2017: 2.5%), turnover index of 11.8% (2017: 11.8%), Tabla de Mortalidad de Instituto Ecuatoriano de Seguridad Social 2002 ("TM IESS 2002") mortality and disability index and average remaining working life of approximately 8.24 years (2017: 11 years).

## 11) Share capital

The following table summarizes information regarding the Company's share capital as at December 31, 2018 and 2017:

| *As at* | **December 31, 2018** | December 31, 2017 |
|---|---|---|
| Balance - number of shares | **92,586,747** | 64,872,641 |
| Issuance of common shares on equity financing | **-** | 27,600,000 |
| Exercise of restricted share units | **11,904** | 114,106 |
| | **92,598,651** | 92,586,747 |

On February 10, 2017 and amended February 16, 2017 the Company entered into an agreement with a syndicate of underwriters (the "Underwriters"), pursuant to which the Underwriters agreed to purchase 24,000,000 common shares ("Shares") of the Company at a price of $1.00 per Share for aggregate gross proceeds of $24 million (the "Offering"). The Offering included an over-allotment option for an additional 3,600,000 Shares granted to the Underwriters.

The Offering closed on March 2, 2017 pursuant to which the Company issued 27,600,000 Shares of the Company at a price of $1.00 per Share for gross proceeds of $27.6 million net of transaction costs of $2.3 million for net proceeds of $25.3 million. IAMGOLD Corporation, which owned 35.6% of the outstanding common shares of the Company prior to the Offering, exercised its pre-emptive right to maintain its pro rata ownership and was issued 9,822,546 Shares. In addition, certain directors and officers of the Company purchased 5,577,911 Shares, representing approximately 20% of the Offering.

**(IN CANADIAN DOLLARS)**

### a) *Loss per share*

The basic loss per share for the years ended December 31, 2018 and 2017 was calculated using a weighted average number of common shares outstanding as follows:

| | **December 31, 2018** | December 31, 2017 |
|---|---|---|
| Common shares outstanding | **92,586,747** | 64,872,641 |
| Issuance of common shares in equity financing | **-** | 23,050,549 |
| Effect of share based compensation exercises | **11,185** | 107,209 |
| | **92,597,932** | 88,030,399 |

### b) *Diluted earnings per share*

The calculation of fully diluted loss per share has not been detailed in the note, as the effect of the conversion of outstanding stock options, warrants and restricted share units would be anti-dilutive.

## 12) Share-based payments

### a) *Share option plan (equity-settled)*

The Company established a stock option plan (the “Option Plan”) on June 5, 2007, updated on April 27, 2018, for directors, officers, employees and certain individuals that provide ongoing services to INV Metals. Under the Option Plan, options are typically granted for a five-year period and in such numbers as reflects the level of responsibility of the particular optionee and his or her contribution to the business and activities of INV Metals. Stock options granted under the Option Plan vest at the discretion of the board of directors from the date of grant. Except in specified circumstances, stock options are not assignable and vested options terminate 90 days after the optionee ceases to be employed by or associated with INV Metals.

The terms of the Option Plan further provide that the price at which common shares may be issued under the Option Plan cannot be less than the market price of the common shares when the relevant stock options are granted.

### b) *Restricted share unit plan (equity-settled)*

The Company under its restricted share unit plan (the “RSU Plan”) may grant common shares to employees, officers, directors and consultants through the issuance of restricted share units. Each restricted share unit gives the holder the right to receive, after the restricted period, if applicable, one common share of the Company. The fair market value of each restricted share unit granted is calculated on the date of grant using the closing stock price on the date prior to the grant. The restricted period is subject to the discretion of the Board of Directors.

The aggregate number of common shares issuable to an insider of the Company pursuant to all security-based compensation, shall not exceed 10% of the total number of common shares outstanding. The aggregate number of common shares reserved for issuance to any one person shall not exceed 5% of the total number of common shares then outstanding.

**(IN CANADIAN DOLLARS)**

The following table summarizes the stock option transactions for the years ended December 31, 2018 and 2017 as follows:

| | Number of Stock Options | | Weighted-Average Exercise Price |
|---|---|---|---|
| **Outstanding, January 1, 2017** | **4,384,500** | **$** | **0.83** |
| Granted | 3,405,000 | | 0.99 |
| **Outstanding, December 31, 2017** | **7,789,500** | **$** | **0.88** |
| Expired | (2,752,000) | | **1.00** |
| Granted | 3,171,700 | | **0.53** |
| **Outstanding, December 31, 2018** | **8,209,200** | **$** | **0.72** |

### c) *Details of share options*

The following table summarizes information regarding the Company's outstanding and exercisable stock options as at December 31, 2018 as follows:

| Exercise Price Range | Number of Stock Options Outstanding | Weighted-Average Remaining Years of Contractual Life | | Weighted Average Exercise Price | Number of Stock Options Exercisable | | Weighted Average Exercisable Price |
|---|---|---|---|---|---|---|---|
| $0.00 - 0.35 | 144,500 | 0.2 | $ | 0.35 | 144,500 | $ | 0.35 |
| 0.36 - 0.80 | 4,666,700 | 3.8 | | 0.54 | 2,955,852 | | 0.55 |
| 0.81 - 1.00 | 3,398,000 | 3.3 | | 0.99 | 3,348,000 | | 1.00 |
| **$0.35 - 1.00** | **8,209,200** | **3.7** | **$** | **0.72** | **6,448,352** | **$** | **0.78** |

The following table summarizes information regarding the stock options granted by the Company for the years ended December 31, 2018 and 2017 as follows:

| | **2018** | 2017 |
|---|---|---|
| Fair value at grant date | **$0.21** | $0.43 |
| Share price at grant date | **$0.45 - $0.54** | $0.90 |
| Exercise price | **$0.45 - $0.54** | $0.90 - $1.00 |
| Weighted average grant date fair value | **$0.21** | $0.43 |
| Expected volatility | **65% - 73%** | 90% - 95% |
| Expected dividend yield | **0%** | 0% |
| Option life (expected weighted average life) | **2 year** | 2 year |
| Forfeiture rate | **0.07% - 0.08%** | 0.03% - 0.05% |
| Risk-free interest rate (based on government bonds) | **1.95% - 2.15%** | 0.75% - 1.43% |

**(IN CANADIAN DOLLARS)**

### d) *Details of restricted share units*

The following table summarizes the restricted share units for the years ended December 31, 2018 and 2017 as follows:

| | Number of Restricted Shares | | Weighted Average Fair Value of Restricted Shares |
|---|---|---|---|
| **Outstanding, January 1, 2017** | **806,008** | **$** | **0.50** |
| Exercised | (114,106) | | 1.20 |
| **Outstanding, December 31, 2017** | **691,902** | **$** | **0.38** |
| Exercised | **(11,904)** | | **1.20** |
| **Outstanding, December 31, 2018** | **679,998** | **$** | **0.36** |

On January 22, 2018, an amount of $14,285 was transferred to share capital upon exercise of restricted share units.

## 13) Capital management

The Company manages its capital structure and makes appropriate adjustments based on economic conditions and risks to ensure the funds available to support the acquisition, exploration and development of its mineral properties. The Board of Directors does not establish a quantitative return on capital criteria for management, but rather relies on the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest in are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and pay for general and administrative costs, the Company spends its working capital and raises additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it is deemed there is sufficient geological or economic potential and if adequate financial resources are available.

The Financial Statements have been prepared using IFRS applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due for the foreseeable future. The Company has no operating cash flow from a producing mine and therefore must utilize its current cash reserves, income from short term investments and deposits, and other financing transactions to maintain its capacity to meet working capital requirements and planned corporate expenditures, as well as to fund the development of Loma Larga and other exploration activities. It is not possible to predict whether adequate financing will be available in the future on acceptable terms. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern and to realize its assets and discharge its liabilities in the normal course of business and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. Such adjustments could be material. Although the Company has been successful in the past to obtain financing, there can be no assurances that the steps management is taking, and will continue to take, will be successful in future reporting periods or that such financing will be on terms advantageous to the Company.

A continuous review of capital expenditure programs ensures the Company's capital resources are utilized in a responsible and sustainable manner to ensure the Company continues as a going concern. Management reviews its capital management on an ongoing basis by preparing annual expenditures budgets that are updated as necessary and believes this approach, given the size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2018.

## 14) Financial Risks

The Company's activities expose it to a variety of financial risks, including credit risk, liquidity risk, commodity price risk, interest rate risk, other price risk and foreign exchange risk. The Company's exposure to these risks and its methods of managing the risks remain consistent. The Company's overall risk management policies seek to minimize potential adverse effects on its financial performance. There have been no significant changes in the financial risks from the previous year.

### a) *Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet contractual obligations and arises principally from the Company's other receivables. The carrying value of the financial assets represents the maximum credit exposure. Financial instruments included in other receivables consist of receivables from unrelated companies.

The Company has concentration of credit risk as the majority of its cash is held at one banking institution. This risk is mitigated in that the Company holds its primary cash in deposit form in a major Chartered Canadian bank. The Company's subsidiaries' cash is held in deposit form in internationally recognized banks. The maximum exposure to credit risk for deposits approximates the amount recognized on the statement of financial position.

### b) *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its expansionary plans.

The Financial Statements have been prepared using IFRS applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due for the foreseeable future. Currently, the Company has no ability to raise funds through operations. However, the Company ensures that there are sufficient funds to meet its short-term requirements, taking into account its cash holdings.

As at December 31, 2018, the Company had a cash balance of $3,747,042 (2017 – $19,139,960) to settle current liabilities of $1,649,955 (2017 – $1,199,672). The majority of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company has various commitments detailed in note 18.

**c) *Market risk***

***i) Commodity price risk***

Commodity price risk arises from the possible adverse effect on the ability of the Company to develop its properties and the future profitability of the Company is directly related to these prices. The Company is exposed to the risk that decreases in commodity prices could materially and adversely affect the economic viability of its properties and therefore the financial condition of the Company. The Company does not enter into any derivative financial instruments to manage exposures to price fluctuations at this time.

The Company has not included a sensitivity analysis of commodity price risk during the year ended December 31, 2018 as presenting such an analysis would not be informative since the Company is not in commercial production.

***ii) Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company monitors its exposure to interest rates and has not entered into any derivative financial instruments to manage this risk.

The Company has a cash balance and no interest-bearing debt. The Company is sensitive to changes in the interest rates through interest income earned on the cash balance.

Cash is subject to floating interest rates. As at December 31, 2018, if interest rates had decreased by 0.25% or increased by 0.25%, respectively, with all other variables held constant, the total loss and shareholders' equity for the year would have been approximately $26,000 higher/lower, as a result of lower/higher interest income from cash deposits.

***iii) Foreign exchange risk***

The Company is exposed to the risks related to the fluctuation of foreign exchange rates. The Company's presentation currency is the Canadian dollar, and major purchases are transacted in Canadian dollars and US dollars. The Company funds certain operations, exploration and administrative expenses on a cash call basis using the US dollar currency converted from its Canadian dollar bank accounts. The Company currently does not enter into financial instruments to manage foreign exchange risk. Fluctuations in the exchange rates may, consequently, have an impact upon the reported operations of the Company and may affect the value of the Company's assets and liabilities.

Financial instruments denominated primarily in US dollars are subject to foreign currency risk. As at December 31, 2018, had the US dollar weakened/strengthened by 10% against the Canadian dollar, with all other variables held constant, the Company's total loss for the year ended December 31, 2018 would have been approximately $91,000 higher/lower as a result of foreign exchange losses/gains on translation of non-Canadian dollar denominated financial instruments. Similarly, as at December 31, 2018, shareholders' equity would have been approximately $91,000 higher/lower had the US dollar weakened/strengthened by 10% as a result of foreign exchange losses/gains on translation of non-Canadian dollar denominated financial instruments.

(IN CANADIAN DOLLARS)

***iv) Other price risk***

The Company is exposed to price risk on equity securities held as investments by the Company. Fluctuations in the investments in equity securities may, consequently, have an impact upon the reported total loss of the Company and may affect the value of the Company's assets.

Equity securities are subject to fluctuations in market prices. As at December 31, 2018, if the market value of securities held by the Company had increased/decreased by 10%, the total loss for the year would have decreased/increased by approximately $18,200. Similarly, as at December 31, 2018, shareholders' equity would have been approximately $18,200 higher/lower if the market value securities held by the Company had increased/decreased by 10%.

## 15) Expenses

The following table summarizes information regarding the Company's expenses from operations for the years ended December 31, 2018 and 2017:

| | | **December 31, 2018** | | December 31, 2017 |
|---|---|---|---|---|
| **General and administration** | | | | |
| Shareholder and regulatory compliance | **$** | **231,967** | $ | 295,414 |
| Travel | | **98,971** | | 128,676 |
| Office | | **271,410** | | 237,816 |
| | **$** | **602,348** | $ | 661,906 |
| **Compensation** | | | | |
| Compensation | **$** | **2,590,223** | $ | 1,770,999 |
| Stock-based compensation | | **1,017,612** | | 1,100,100 |
| | **$** | **3,607,835** | $ | 2,871,099 |

## 16) Related party transactions

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Disclosed below are details of the transactions between the Company and other related parties, including transactions with the Company's officers and directors.

The Company's related parties include the following officers and directors as follows:

- Candace MacGibbon — Officer and Director
- William Shaver — Officer
- Kevin Canario — Officer
- Sunny Lowe — Officer
- Jay Goldman — Corporate Secretary
- James Clucas — Director
- Parviz Farsangi — Director
- Eric Klein — Director
- Terry MacGibbon — Director
- Robert Pollock — Director

**(IN CANADIAN DOLLARS)**

| | |
|---|---|
| • Robin Weisman | Director |
| • IAMGOLD Corporation ("IAMGOLD") and its related subsidiaries and affiliates | Associated Company |

The following summarizes transactions with related parties during the years ended December 31, 2018 and 2017 as follows:

**a) *Transactions with related parties***

i) During the year ended December 31, 2018, legal fees of $91,000 (2017 - $104,000) were charged from a law firm in which an officer of the Company is a partner.

ii) During the year ended December 31, 2018, a company of which a director is the Chief Executive Officer, was paid $30,000 (2017 - $70,000) for capital market advisory services to INV Metals in relation to the Offering in the normal course and approved by the board of directors.

iii) On March 2, 2017 the Company closed a bought deal financing pursuant to which the Company issued 27,600,000 common shares of the Company for aggregate gross proceeds of $27.6 million net of transaction costs. IAMGOLD exercised its pre-emptive right to maintain its pro rata ownership and was issued 9,822,546 common shares. In addition, certain directors and officers of the Company purchased 5,577,911 shares, representing approximately 20% of the Offering.

**b) *Remuneration of directors and officers***

The remuneration of directors and officers during the years ended December 31, 2018 and 2017 was as follows:

| | | **December 31, 2018** | | December 31, 2017 |
|---|---|---|---|---|
| Salaries of key management | **$** | **1,503,590** | $ | 1,044,525 |
| Director fees | | **255,505** | | 236,615 |
| Stock-based compensation | | **975,530** | | 1,044,559 |
| | **$** | **2,734,625** | $ | 2,325,699 |

## 17) Significant subsidiaries

| | **Country of incorporation** | **December 31, 2018** | December 31, 2017 |
|---|---|---|---|
| INV Condor Inc. | Canada | **100%** | 100% |
| INV Minerales Ecuador S.A. | Ecuador | **100%** | 100% |
| INV São Jose Inc. | Canada | **100%** | 100% |
| INV (Barbados) Ltd. | Barbados | **100%** | 100% |
| INV Exploration Namibia (Pty) Ltd. | Namibia | **100%** | 100% |

(IN CANADIAN DOLLARS)

## 18) Commitments and contingencies

### a) *Commitments*

The Company has committed to payments under various leases and other commitments as outlined in the table below. The expenditures for amounts which may be required to maintain the Company's mineral properties in good standing are not outlined in the table below.

| | Total | Less than One Year | Between 1 - 5 Years | More than 5 Years |
|---|---|---|---|---|
| Operating leases | $ 1,042,628 | $ 337,978 | $ 704,650 | $ - |
| Environmental management plan | $ 287,753 | $ 287,753 | $ - | $ - |

INV Metals has a lease arrangement for office space that was renewed in January 2018 and expires on December 31, 2022. During the year ended December 31, 2018 an amount of $312,928 (2017 - $282,481) was incurred in respect of operating leases.

INV Minerales holds a term deposit relating to its environmental management plan for ongoing expenditures related to environmental matters.

### b) *Contingent liability*

The Loma Larga Project is subject to a 5% Net Profit Interest, payable to Compagnie Générale des Matières Nucléaires (now "ORANO"), the original owner of the property. In addition, the Company must pay to ORANO, $2.00 per ounce of gold, payable in three equal annual installments, contained in proven and probable mineral reserves and indicated and measured mineral resources, as defined by the completion of a bankable feasibility study from the date on which the Board of Directors makes a formal production decision. Any contingent payments are subject to significant uncertainty based on many factors, including, but not limited to positive market conditions, the availability of project financing, positive operating conditions in Ecuador, and the acquisition of all relevant permits.

## 19) Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate and tax rates from different jurisdictions to the effective tax rate is as follows:

| *For the years ended* | **December 31, 2018** | December 31, 2017 |
|---|---|---|
| Expected income tax recovery at statutory tax rates | **$ (1,131,220)** | $ (1,258,450) |
| Expenses not deductible for tax purposes | **272,381** | 293,764 |
| Benefit of losses not recognized in the year and others | **858,839** | 964,686 |
| Income tax (recovery)/expense | **$ -** | $ - |

Effective January 1, 2016, the Canadian federal corporate tax rate was 15% and the Ontario provincial tax rate was 11.5%. The overall tax rates for the Company's statutory tax rate calculations in 2018 remained consistent with the prior year at 26.5%.

**(IN CANADIAN DOLLARS)**

The tax effect of temporary differences of the Corporation give rise to significant portions of deferred income tax assets and deferred income tax liabilities. The most significant deferred tax liabilities increase or decrease each reporting period due to temporary differences on translation of non-monetary assets in the Namibian legal entity. Deferred income tax assets are recognized to the extent that the realization of the related tax benefit through future taxable profits is probable. The total temporary differences for which a benefit has not been recognized is $53,929,830.

Accumulated tax losses expire as per the amount and the years noted in the table that follows. Deferred tax assets have not been recognized in respect of items where the company is unable to control the timing of when future taxable profit will be available against which the Company can utilize the benefit of the losses.

The following table summarizes the Company's Canadian non-capital and capital losses (not recognized) that can be applied against future taxable profit:

| Years generated | Expiry Date | | Amount |
|---|---|---|---|
| 2006 | 2026 | $ | 1,402,178 |
| 2007 | 2027 | | 1,786,000 |
| 2008 | 2028 | | 2,594,428 |
| 2009 | 2029 | | 2,991,025 |
| 2010 | 2030 | | 3,259,951 |
| 2011 | 2031 | | 1,578,363 |
| 2012 | 2032 | | 1,817,183 |
| 2013 | 2033 | | 2,069,143 |
| 2014 | 2034 | | 1,990,029 |
| 2015 | 2035 | | 2,330,029 |
| 2016 | 2036 | | 1,776,722 |
| 2017 | 2037 | | 2,855,344 |
| 2018 | 2038 | | 3,660,969 |
| **Non-capital losses** | | **$** | **30,111,364** |

| Years generated | Expiry Date | | Amount |
|---|---|---|---|
| 2009 | Indefinitely | $ | 6,081,888 |
| 2014 | Indefinitely | | 10,895,699 |
| **Net-capital losses** | | **$** | **16,977,587** |

The Canadian entity also has unrecognized deductible temporary differences related to $1,417,982 of share issue costs, which do not expire.

The Namibian subsidiary has unrecognized deductible temporary differences relating to mineral properties of $6,856,383 and loss carry-forwards of approximately $433,823, which can be carried forward indefinitely against the same type of business income.

The Barbadian subsidiary has unrecognized deductible temporary differences relating to loss carry-forwards of approximately $252,702, which can be carried forward for nine years against the same type of business income.

**(IN CANADIAN DOLLARS)**

## 20) Segmented information

Segmented information is provided on the basis of geographical segments as the Company manages its business and exploration activities through geographical regions – Canada, Ecuador, Namibia and Barbados. The business segments presented reflect the management structure of the Company and the way in which the Company's executive officers review business performance on a quarterly basis.

The Company evaluates performance of its operating and reportable segments as noted in the following table:

| *For the year ended December 31, 2018* | **Assets** | **Liabilities** | **Total Comprehensive (Income)/Loss** |
|---|---|---|---|
| Canada* | **$ 4,428,889** | **$ 1,480,257** | **$ 4,360,140** |
| Ecuador | **75,787,749** | **1,106,654** | **(4,888,265)** |
| Namibia | **10,309** | **1,617** | **5,215** |
| Barbados | **3,359** | **9,508** | **13,690** |
| | **$ 80,230,307** | **$ 2,598,036** | **$ (509,220)** |

| *For the year ended December 31, 2017* | Assets | Liabilities | Total Comprehensive (Income)/Loss |
|---|---|---|---|
| Canada* | $ 20,010,232 | $ 1,035,450 | $ 3,380,476 |
| Ecuador | 58,145,290 | 1,094,263 | 4,565,374 |
| Namibia | 23,489 | 9,582 | 429,020 |
| Barbados | 1,680 | 35,013 | 35,536 |
| | $ 78,180,691 | $ 2,174,308 | $ 8,410,406 |

*All amounts listed in Canadian operating segment relate to Canadian corporate assets, liabilities and exploration properties less related impairment losses.

## 21) Subsequent events

On January 14, 2019, the Company filed the National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101") Feasibility Study Technical Report, entitled "Technical Report on the Loma Larga Project, Azuay Province, Ecuador" ("Technical Report"), summarizing the results of the 2018 Feasibility Study (the "FS" or the "Study") on its 100% owned Loma Larga gold-copper-silver project in Ecuador.

On March 19, 2019, the Company closed a non-brokered private placement (the "Private Placement") of 4,615,385 common shares ("Shares") at a price of $0.65 per Share for gross proceeds of $3 million. The proceeds from the Private Placement will be used for general working capital and corporate purposes. IAMGOLD Corporation, which has a right to maintain its 35.6% pro rata shareholding in the Company, also participated in the Private Placement.