



**CHAKANA**  
C O P P E R

**CHAKANA COPPER CORP.**

(FORMERLY REMO RESOURCES INC.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED AUGUST 31, 2018

(EXPRESSED IN CANADIAN DOLLARS)  
(UNAUDITED)

**MANAGEMENT'S COMMENTS ON  
UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM  
FINANCIAL STATEMENTS**

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

The accompanying unaudited condensed interim financial statements of Chakana Copper Corp. (the "Corporation") have been prepared by and are the responsibility of the Corporation's management. The unaudited condensed interim financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available.

The Corporation's independent auditor, D&H Group LLP, has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of the condensed consolidated interim financial statements by an entity's auditor.

**CHAKANA COPPER CORP. (FORMERLY REMO RESOURCES INC.)**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT AUGUST 31, 2018 (UNAUDITED) AND MAY 31, 2018**

*(expressed in Canadian Dollars)*

	<b>August 31, 2018</b>	<b>May 31, 2018</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Note 6)	\$ 10,672,293	\$ 13,159,191
Prepaid and other current assets (Note 7)	359,706	574,721
	11,031,999	13,733,912
<b>Non-Current Assets</b>		
Exploration and evaluation assets (Note 8)	1,033,038	606,975
Equipment (Note 9)	551,792	348,198
<b>Total Assets</b>	<b>\$ 12,616,829</b>	<b>\$ 14,689,085</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Note 10)	\$ 593,172	\$ 486,930
<b>Total Liabilities</b>	<b>\$ 593,172</b>	<b>\$ 486,930</b>
<b>Shareholders' Equity</b>		
Common shares (Note 11)	21,676,295	21,319,696
Warrant reserve (Notes 12)	1,133,948	1,143,257
Stock options (Note 13)	1,422,998	1,346,701
Accumulated and other comprehensive loss	121,899	72,738
Deficit	(12,331,483)	(9,680,237)
	\$ 12,023,657	\$ 14,202,155
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 12,616,829</b>	<b>\$ 14,689,085</b>

Nature of Operations (Note 1)

**Approved on behalf of the Board of Directors**

/s/ Tom Wharton  
Tom Wharton, Director

/s/ Darren Devine  
Darren Devine, Director

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

**CHAKANA COPPER CORP. (FORMERLY REMO RESOURCES INC.)**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
**FOR THE THREE MONTHS ENDED AUGUST 31, 2018 AND 2017 (UNAUDITED)**

*(expressed in Canadian Dollars)*

	Three months ended August 31, 2018	Three months ended August 31, 2017
<b>OPERATING EXPENSES</b>		
Consulting fees	\$ 57,463	\$ 139,252
Exploration and evaluation expenditures (Note 15)	1,930,646	586,952
General and administrative expenses	143,771	61,224
Investor relations	132,477	-
Legal and professional fees	15,857	73,841
Salaries and wages	190,011	-
Stock-based compensation (Note 13)	76,297	-
Travel and meals	27,945	42,678
<b>Operating Expenses</b>	<b>(2,574,467)</b>	<b>(911,284)</b>
<b>Other</b>		
Foreign exchange loss	(94,422)	12,276
Interest income	17,644	-
<b>Loss Before Income Tax</b>	<b>(2,651,245)</b>	<b>(923,560)</b>
<b>Income Tax Expense</b>	<b>-</b>	<b>-</b>
<b>Net Loss</b>	<b>\$ (2,651,245)</b>	<b>\$ (923,560)</b>
<b>Other Comprehensive Income (Loss)</b>		
Foreign currency translation	49,161	(3,632)
<b>Comprehensive Loss</b>	<b>\$ (2,602,084)</b>	<b>\$ (927,192)</b>
<b>Basic and diluted loss per share (Note 15)</b>	<b>\$ (0.03)</b>	<b>\$ (0.02)</b>
<b>Weighted average number of shares outstanding (basic and diluted) (Note 15)</b>	<b>80,507,022</b>	<b>37,850,799</b>

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

**CHAKANA COPPER CORP. (FORMERLY REMO RESOURCES INC.)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED AUGUST 31, 2018 AND 2017 (UNAUDITED)**

*(expressed in Canadian Dollars)*

	Three months ended August 31, 2018	Three months ended August 31, 2017
<b>Cash Flows used in Operating Activities</b>		
Net loss	\$ (2,651,245)	\$ (923,560)
Items not affecting cash from operations		
Depreciation	22,870	-
Stock-based compensation	76,297	-
Changes in non-cash working capital		
Increase in prepaids and other current assets	215,014	(16,240)
Increase in accounts payable and accrued liabilities.	106,241	269,264
	<u>(2,230,823)</u>	<u>(670,536)</u>
<b>Cash Flows used in Investing Activities</b>		
Purchase of equipment	(226,463)	(45,434)
Acquisition of exploration and evaluation assets	(96,063)	-
	<u>(322,526)</u>	<u>(45,434)</u>
<b>Cash Flows from Financing Activities</b>		
Net proceeds from issuance of common shares	-	2,990,705
Proceeds from exercise of warrants	17,290	25,000
Subscriptions payable	-	(5,000)
	<u>17,290</u>	<u>3,010,705</u>
<b>Changes in cash during the period</b>	<u>(2,536,059)</u>	<u>2,294,735</u>
<b>Foreign exchange on cash</b>	<u>49,161</u>	<u>(3,632)</u>
<b>Cash – Beginning of the period</b>	<u>\$ 13,159,191</u>	<u>\$ 598,389</u>
<b>Cash– End of the period</b>	<u>\$ 10,672,293</u>	<u>\$ 2,889,492</u>

**Supplemental cash flow information** (Note 18)

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

**CHAKANA COPPER CORP. (FORMERLY REMO RESOURCES INC.)**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED AUGUST 31, 2018 (UNAUDITED)**  
*(Expressed in Canadian Dollars, except per share amounts)*

	<u>Common Shares</u>		Accumulated Other Comprehensive Loss	Warrant Reserve	Stock Option Reserve	Deficit	Total
	Shares	Amount					
<b>Balance – May 31, 2018</b>	80,070,347	\$ 21,319,696	\$ 72,738	\$ 1,143,257	\$ 1,346,701	\$ (9,680,237)	\$ 14,202,155
Net loss for the period						(2,651,245)	(2,651,245)
Other comprehensive loss for the period		-	49,161	-	-	-	49,161
Vesting of stock options		-	-	-	76,297	-	76,297
Shares issued for:							
Acquisition of property (Note 8)	500,000	330,000	-	-	-	-	330,000
Warrant exercises (Note 12)	43,225	26,599	-	(9,309)	-	-	17,290
<b>Balance – August 31, 2018</b>	<b>80,613,572</b>	<b>\$ 21,676,295</b>	<b>\$ 121,899</b>	<b>\$ 1,133,948</b>	<b>\$ 1,422,998</b>	<b>\$ (12,331,482)</b>	<b>\$ 12,023,658</b>
<b>Balance – August 31, 2017</b>	<b>41,306,167</b>	<b>\$ 2,985,400</b>	<b>\$ (5,370)</b>	<b>\$ 840,126</b>	<b>\$ -</b>	<b>\$ (1,203,729)</b>	<b>\$ 2,616,427</b>
Net loss for the period		-	-	-	-	(8,476,508)	(8,476,508)
Other comprehensive loss for the period		-	78,108	-	-	-	78,108
Stock options granted		-	-	-	1,362,674	-	1,362,674
Shares issued for:							
Reverse acquisition of Remo Resources (Note 5)	1,299,994	649,997	-	-	-	-	649,997
Cash (Note 11)	28,888,889	18,000,000	-	-	-	-	18,000,000
Share issuance costs	370,715	(1,280,337)	-	525,378	-	-	(754,959)
Stock option exercise (Note 13)	50,000	35,973	-	-	(15,973)	-	20,000
Warrant exercises (Note 12)	8,154,582	928,663	-	(222,247)	-	-	706,417
<b>Balance – May 31, 2018</b>	<b>80,070,347</b>	<b>\$ 21,319,696</b>	<b>\$ 72,738</b>	<b>\$ 1,143,257</b>	<b>\$ 1,346,701</b>	<b>\$ (9,680,237)</b>	<b>\$ 14,202,155</b>

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

## **1. Nature of Operations**

Chakana Copper Corp. (formerly Remo Resources Inc.) (the "Corporation") was incorporated on May 2, 2011, under the laws of the province of British Columbia, Canada, and changed its name from Hadrian Resources Inc. on August 4, 2011 and changed its name to Chakana Copper Corp. on January 30, 2018. The Corporation is listed on the TSX Venture Exchange ("TSX-V") under the symbol "PERU". The Corporation is currently engaged in exploration of mineral properties, with its principal focus at this stage on the exploration of the Soledad copper-gold-silver project located in Central Peru (the "Soledad Project").

The head office, principal address is located at 800 West Pender Street, Suite 1430, Vancouver, British Columbia, V6C 2V6, Canada and records office of the Corporation is located at 1055 West Pender Street, Suite 1500, Vancouver, British Columbia, V6E 4V7, Canada.

### **Nature of Operations**

The Corporation is in the process of exploring and developing its mineral properties. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, successful permitting, the ability of the Corporation to obtain necessary financing to complete exploration and development, and upon future profitable production or proceeds from disposition of each mineral property. Furthermore, the acquisition of title to mineral properties is a complicated and uncertain process, and while the Corporation has taken steps in accordance with normal industry standards to verify its title to the mineral properties in which it has an interest, there can be no assurance that such title will ultimately be secured. The carrying amounts of mineral properties are based on costs incurred to date, and do not necessarily represent present or future values.

### **Reverse Takeover**

On January 30, 2018, the Corporation completed the acquisition of Chakana Copper Corp. ("Chakana"), a private British Columbia corporation incorporated on December 1, 2016. Chakana's wholly-owned subsidiary, Chakana Resources S.A.C, a limited liability company formed under the laws of the Peru on December 1, 2016, holds an option to acquire a 100% interest in the Soledad Project in Peru, and is the operator of all related mineral exploration activities. The Corporation acquired all of the issued and outstanding shares of Chakana through a three-cornered amalgamation involving a wholly-owned British Columbia subsidiary of the Corporation and Chakana (the "Reverse Takeover Transaction", the "Transaction", or the "RTO"). In connection to the Transaction, the Corporation consolidated its common shares on the basis of one-post consolidation common share for each 6.865385 pre-consolidation shares (the "Consolidation"). The Transaction resulted in the shareholders of Chakana holding 96.94%, of the Corporation's issued and outstanding common shares. Accordingly, the transaction is treated as a reverse takeover and the financial statements represent a continuation of the legal subsidiary, Chakana, not the Corporation, the legal parent.

## **2. Basis of Preparation and Statement of Compliance**

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Accordingly, these condensed interim consolidated financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting process.

These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the Corporation's audited financial statements for the nine months ended May 31, 2018. The policies applied in these condensed interim consolidated financial statements are based on IFRS issued as of October 30, 2018, the date the Board of Directors approved the financial statements. These condensed interim consolidated financial statements should be read in conjunction with the Corporation's consolidated financial statements for the nine months ended May 31, 2018.

### **3.. Significant Accounting Judgements and Estimates**

The preparation of the Corporation's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes may differ significantly from these estimates.

Judgments that have the most significant effect on the amounts recognized in the Corporation's consolidated financial statements are as follows

- *Impairment of Exploration and Evaluation Asset*

The net carrying value of the exploration asset is reviewed regularly for conditions that suggest potential indications impairment. This review requires significant judgment. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; and whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future.

- *Going Concern*

The assessment of the Corporation's ability to continue as a going concern involves critical judgement based on historical experience and expectations of the Corporation's ability to generate adequate financing. Significant judgements are used in the Corporation's assessment of its ability to continue as a going concern.

- *Income taxes*

Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences"), and losses carried forward.

The determination of the ability of the Corporation to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgement and make certain assumptions about the future performance of the Corporation. Management is required to assess whether it is probable that the Corporation will benefit from these prior losses and other deferred tax assets. Change in economic conditions, metal prices and other factors could result in revision to the estimates of the benefits to be realized or the timing of utilizing the losses.

- *Functional Currency*

The functional currency for the Corporation's subsidiary, Chakana Resources S.A.C., is the U.S. dollar - the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Corporation reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

#### **4. Accounting Standards and Amendments Issued but Not Yet Adopted**

The IASB has issued or amended a number of standards that were not effective at May 31, 2018. These standards have not been early adopted in these consolidated financial statements.

##### *IFRS 9 Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes requirements for recognition and measurement, impairment, de-recognition and general hedge accounting. IFRS 9 is effective for annual period beginning on or after January 1, 2018.

##### *IFRS 15 Revenue from Contracts with Customers*

In May 2014, the International Accounting Standards Board ("IASB") issued IFRS 15 Revenue from Contracts with Customers, which specifies how and when an entity will recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. IFRS 15 is effective for annual period beginning on or after January 1, 2018.

##### *IFRS 16 - Leases*

This new standard was issued with the objective to recognize all leases on the balance sheet. IFRS 16 requires lessees to recognize a "right of use" asset and a lease liability calculated using a prescribed methodology. The mandatory effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019. Early adoption is permitted provided that IFRS 15, Revenue from Contracts with Customers, is also adopted.

The Corporation is currently assessing the impact these standards and amendments may have on its financial statements.

#### **5. Reverse Acquisition**

On January 30, 2018, pursuant to the terms of the Transaction, the Corporation acquired all of the outstanding shares of Chakana, at an exchange ratio of 1:1, for 41,306,167 common shares of the Corporation. After the completion of the Transaction, the shareholders of Chakana held approximately 96.94% of the Corporation. Chakana is considered to have acquired the Corporation, with the Transaction being accounted as a reverse takeover of the Corporation by Chakana. Accordingly, the financial statements represent a continuation of Chakana, not the Corporation with the exception that all figures as to the number of common shares, as well as loss per share in these consolidated financial statements reflect the legal capital of Corporation at the exchange ratio in the acquisition.

The acquisition constitutes an asset acquisition as the Corporation does not meet the definition of a business, as defined in IFRS 3, Business Combination.

For the purposes of accounting for the reverse takeover, the percentage of ownership of the pre-acquisition shareholders' of Chakana in the combined entity upon completion of the acquisition was determined to be 3.05% (which represents 1,299,994 common shares out of total 42,606,161 common shares of the Corporation outstanding upon closing of the acquisition).

As a result of this asset acquisition, a listing expense of \$649,997 has been recorded. This reflects the difference between the estimated fair value of Chakana shares deemed to have been issued to the Corporation's shareholders less the fair value of the assets of the Corporation acquired.

Upon the completion of the transaction on January 30, 2018, the corporation issued 200,000 finders fee shares.

**CHAKANA COPPER CORP. (FORMERLY REMO RESOURCES CORP.)**  
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED AUGUST 31, 2018 AND 2017 (UNAUDITED)  
*(expressed in Canadian Dollars)*

**5. Reverse Acquisition (continued)**

The preliminary allocation of estimated consideration transferred is subject to change and is summarized as follows:

<b>Purchase Price</b>		
1,299,994 common shares of the Corporation at \$0.50 per shares	\$	649,997
<b>Total Purchase Price</b>	<b>\$</b>	<b>649,997</b>
<b>Allocation of Purchase Price</b>		
Cash	\$	467
Prepaid expenses and other current assets		7,117
Accounts and accrued liabilities		(9,116)
Charge related to public company listing		651,529
	<b>\$</b>	<b>649,997</b>

**6. Cash**

	<b>August 31, 2018</b>		<b>May 31, 2018</b>	
Cash	\$	5,672,293	\$	8,159,191
Demand Deposit - GICs		5,000,000		5,000,000
	<b>\$</b>	<b>10,672,293</b>	<b>\$</b>	<b>13,159,191</b>

**7. Prepaid and Other Current Assets**

	<b>August 31, 2018</b>		<b>May 31, 2018</b>	
VAT receivable	\$	181,356	\$	135,778
Prepaid expenses		178,350		438,943
	<b>\$</b>	<b>359,706</b>	<b>\$</b>	<b>574,721</b>

**8. Exploration and Evaluation Assets**

	<b>August 31, 2018</b>		<b>May 31, 2018</b>	
Balance – Opening	\$	606,975	\$	32,755
Acquisition costs – Soledad Project, Peru		-		32,261
Acquisition costs – Ajia Project, Peru		330,220		191,220
Acquisition costs - Other, Peru		96,063		350,739
<b>Balance – Ending</b>	<b>\$</b>	<b>1,033,038</b>	<b>\$</b>	<b>606,975</b>

**8. Exploration and Evaluation Assets (continued)**

**Soledad Project, Peru**

On April 17, 2017, the Corporation entered into the Mining Assignment and Option Agreement with Minera Vertiente del Sol SAC ("MVS") (the "Agreement") a subsidiary of Condor Resources Inc. ("Condor"), pursuant to which the Corporation has the sole and exclusive option to acquire 100% of the rights and interests in the Soledad Copper / Gold Project, Peru (the "Soledad Project"), subject to a 2% net smelter return royalty ("NSR"). The closing date for the Agreement was June 23, 2017.

The Corporation's option to acquire rights and interests in the Soledad Project is exercisable by issuing 500,000 common shares by June 23, 2018 (paid), making aggregate cash payments of USD \$5,375,000, and completing 12,500 metres of drilling on the Soledad Project.

The Option exercise cash payments schedule are as follows:

<b>Installment</b>	<b>Date</b>	<b>Amount (in USD\$)</b>
1	February 2017 (paid)	\$ 10,000
2	Upon signing the Agreement on April 17, 2017 (paid)	15,000
3	December 23, 2017; (paid)	25,000
4	June 23, 2018 (paid);	50,000
5	December 23, 2018	50,000
6	June 23, 2019	75,000
7	December 23, 2019	75,000
8	June 23, 2020	100,000
9	December 23, 2020	150,000
10	June 23, 2021	200,000
11	December 23, 2021	4,625,000
<b>Total</b>		<b>\$ 5,375,000</b>

As at August 31, 2018, the Corporation has paid instalments 1 to 4, totalling USD \$100,000. The June 23, 2018 instalment was accompanied with the issuance of 500,000 shares of the Corporation (note 11).

In addition to paying MVS a 2% NSR upon commencing of commercial production on the Soledad Project, the Corporation is required to make pre-royalty payments to MVS as follows:

<b>Years</b>	<b>Amount per year (in USD\$)</b>
From the sixth to the tenth year, counted as from June 23, 2017	\$ 25,000
From the eleventh to the fifteenth year, counted as from June 23, 2017	60,000
From the sixteenth year on, counted as from June 23, 2017	100,000
	<b>\$ 185,000</b>

Pre-royalty payments are credited from NSR payments on commencement of commercial production.

Under the Assignment, the Corporation may purchase from MVS 50% of the NSR, equal to a 1% NSR, for USD \$2,000,000 at any time.

## 8. Exploration and Evaluation Assets (continued)

Pursuant to the Assignment, the Corporation must complete 12,500 metres of exploration drilling (“Drilling Schedule”) on the Soledad Project according to the following schedule:

Stage	Metres (m)	Date
i	3,000 m	Within eighteen (18) months counted since June 23, 2017
ii	2,500 m	Within thirty (30) months counted since June 23, 2017
iii	3,000 m	Within forty-two (42) months counted since June 23, 2017; and,
iv	4,000 m	Within fifty-four (54) months counted since June 23, 2017.
<b>Total</b>	<b>12,500 m</b>	

In the event of non-compliance with the Drilling Schedule, the Corporation is required to pay MVS USD \$100 per metre of metres not drilled. The Corporation is permitted to offset a portion of the drilling requirements by certain making investments toward the development of the Soledad Project (“Credible Investments”). A maximum of 40% of the drilling metres required by the Drilling Schedule are permitted to be replaced with Credible investments.

As at August 31, 2018, the Corporation has drilled 20,810 metres and incurred \$7,271,492 of exploration expenditures on the Soledad Project, therefore meeting all of its drilling and work expenditure commitments under the Mining Assignment and Option Agreement.

### Aija Project

On March 20, 2018, the Corporation entered into a Definitive Agreement with an arms-length third party, pursuant to which the Corporation has the sole and exclusive option (the “Option”) to acquire 100% of the rights and interest in the Aija Project, Peru, a property contiguous with the southern boundary of the Soledad project. The Option includes 3 principal concessions, and 7 smaller parcels within one of the principal concessions, totalling in aggregate 574.71 hectares. These concessions are in close proximity to the Corporation’s Soledad Project.

The Option exercise cash payments schedule is as follows:

Installment	Date	Amount (in USD\$)
1	Upon execution of Letter of Intent on October 3, 2017 (paid)	\$ 75,000
2	Upon close of Definitive Agreement on April 1, 2018 (paid)	\$ 75,000
3	October 1, 2018	\$ 50,000
4	April 1, 2019	\$ 50,000
5	October 1, 2019	\$ 75,000
6	April 1, 2020	\$ 75,000
7	October 1, 2020	\$ 100,000
8	April 1, 2021	\$ 100,000
9	October 1, 2021	\$ 100,000
10	April 1, 2022	\$ 100,000
11	October 1, 2022	\$ 1,500,000
<b>Total</b>		<b>\$ 2,300,000</b>

Under the terms of the Option, the third-party is entitled to a 2% NSR which the Corporation may purchase all of the 2% NSR at any time for USD \$2,000,000. There are no drilling or work expenditure commitments under the Option.

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FOR THE THREE MONTHS ENDED AUGUST 31, 2018 AND 2017 (UNAUDITED)  
*(expressed in Canadian Dollars)*

**8. Exploration and Evaluation Assets (continued)**

**Other Property, Peru**

During the three months ended August 31, 2018, the Corporation purchased mining concessions located south of the Soledad Project for USD \$74,619.

**9. Equipment**

	<b>Equipment</b>	
<b>Cost</b>		
As at May 31, 2018	\$	369,333
Additions:		226,463
Disposals		-
<b>As at August 31, 2018</b>	<b>\$</b>	<b>595,796</b>
<b>Accumulated depreciation</b>		
As at May 31, 2018	\$	(21,134)
Depreciation		(22,870)
Disposals		-
<b>As at August 31, 2018</b>	<b>\$</b>	<b>(44,004)</b>
<b>Net Book Value</b>		
<b>As at August 31, 2018</b>	<b>\$</b>	<b>551,792</b>

**10. Accounts Payable and Accrued Liabilities**

	<b>August 31,</b>		<b>May 31,</b>	
	<b>2018</b>		<b>2018</b>	
Accounts Payable	\$	561,637	\$	437,470
Accrued Liabilities		31,535		49,460
	<b>\$</b>	<b>593,172</b>	<b>\$</b>	<b>486,930</b>

**11. Share Capital**

*(a) Authorized Share Capital*

The Corporation is authorized to issue an unlimited number of common shares without par value. As at August 31, 2018, there were 25,146,752 common shares held in escrow to be released over a 33 month period.

*(b) Issued Capital*

During the three months ended August 31, 2018, the Corporation issued common shares as follows:

- On June 7, 2018, the Corporation issued 43,225 common shares on the exercise of warrants at an exercise price of \$0.40 for gross proceeds of \$17,290.
- On June 19, 2018, the Corporation issued 500,000 common shares required under the Agreement (see Note 8),

## 11. Share Capital (continued)

During the nine months ended May 31, 2018, the Corporation issued common shares as follows:

- On March 23, 2018, the Corporation completed a brokered private placement by issuing 8,888,889 common shares at \$0.90 per share for gross proceeds of \$8,000,000. In connection with this private placement, the Corporation paid cash finders' fees totaling \$373,250 and issued 391,000 non-transferable warrants. Each warrant entitles the holder to purchase one common share of the Corporation at a price of \$0.90 per common share for a period of 24 months following the date of issuance.
- On January 30, 2018, upon closing of the Transaction, the Corporation issued 200,000 finders' fee shares to an arms-length third party.
- On November 7 and 9, 2017, the Corporation issued 8,602,500 common shares for gross proceeds of \$4,301,250 and 11,397,500 subscription receipts for gross proceeds of \$5,698,750, with aggregate total gross proceeds of \$10,000,000. The subscriptions receipts were held in escrow until the closing of the Transaction; whereby, all subscription receipts were exchanged for post-consolidated common shares of Remo on the closing date of the Transaction. In connection with the share offering, the Corporation incurred share issuance costs of \$75,075 commission paid in cash, issued 127,715 common shares, and 277,865 warrants exercisable at \$0.50 per common share for a period of 24 months from the date of issuance. On January 30, 2018, upon the closing of the Transaction, the common shares on conversion of the subscription receipts were issued and respective cash received. Additional share issuance costs of \$248,413 cash commissions were paid, and 43,000 common shares and 539,825 warrants, exercisable at \$0.50 per common share for a period of 24 months from the date of issuance, were issued.
- The Corporation issued the following common shares on exercise of warrants:
  - 7,608,332 common shares on exercise of warrants at an exercise price of \$0.05 per common share for gross proceeds of \$380,417;
  - 8,750 common shares on exercise of warrants at an exercise price of \$0.40 per common share for gross proceeds of \$3,500;
  - 537,500 common shares on exercise of warrants at an exercise price of \$0.60 per common share for gross proceeds of \$322,500;
- The Corporation issued the following common shares on exercise of stock options:
  - 50,000 common shares on the exercise of stock options at an exercise price of \$0.40 per common share for gross proceeds of \$20,000.

## 12. Warrants

Details regarding warrants issued and outstanding are summarized as follows:

	Weighted Average exercise price	Number of shares issued or issuable on exercise
Balance – May 31, 2018	\$0.59	5,176,541
Exercise of warrants	\$0.40	(43,225)
Balance – August 31, 2018	\$0.59	5,133,316

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**12. Warrants (continued)**

The expiry of warrant are as follows:

<b>Grant Date</b>	<b>Expiry Date</b>	<b>Number of warrants issued</b>	<b>Weighted Average Exercise Price</b>
June 29, 2017	December 29, 2018	2,436,000	\$0.60
June 29, 2017	June 29, 2019	230,551	\$0.40
July 17, 2017	January 17, 2019	475,000	\$0.60
July 17, 2017	July 17, 2019	23,275	\$0.40
July 28, 2017	January 28, 2019	596,250	\$0.60
July 28, 2017	July 28, 2019	163,550	\$0.40
November 9, 2017	November 9, 2019	277,865	\$0.50
January 30, 2018	January 30, 2022	539,825	\$0.50
March 23, 2018	March 23, 2020	391,000	\$0.90
		<b>5,133,316</b>	<b>\$0.59</b>

**13. Stock Options**

The Corporation adopted a stock option plan (the "Plan") whereby it can grant stock options to directors, officers, employees, and consultants of the Corporation. The maximum number of common shares that may be reserved for issuance under the Plan is limited to 10% of the issued common shares of the Corporation at any time.

The changes in incentive stock options outstanding are summarized as follows:

	<b>Weighted average exercise price</b>	<b>Number of shares issued or issuable on exercise</b>
Balance – August 31, 2017		-
Granted	\$0.40	3,860,000
Granted	\$0.94	425,000
Exercised	\$0.40	(50,000)
Expired	\$0.40	(225,000)
<b>Balance – May 31, 2018 and August 31, 2018</b>	<b>\$0.46</b>	<b>4,010,000</b>

During the nine months ended May 31, 2018, the Corporation granted 4,285,000 incentive stock options to employees, consultants, and directors. Of the 4,285,000 incentive stock options, 3,860,000 may be exercised within 5 years from the date of grant at a price of \$0.40 per common share and 425,000 options may be exercised within 5 years from the date of grant at the price of \$0.94 per common share.

The fair value of options have been estimated using the Black-Scholes Option Pricing Model, assuming a risk-free interest rate ranging from 1.57% to 1.96% per annum, an expected life of options of 5 years, an expected volatility ranging from 112.26% to 121.93%, and no expected dividends.

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**13. Stock Options (continued)**

Incentive stock options outstanding and exercisable August 31, 2018 are summarized as follows:

Exercise Price	Options Outstanding			Options Exercisable		
	Number of Shares Issuable on Exercise	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number of Shares Issuable on Exercise	Weighted Average Exercise Price	
\$0.40	3,585,000	4.01	\$0.40	3,585,000	\$0.40	
\$0.94	425,000	4.58	\$0.94	106,250	\$0.94	
	4,010,000	4.29	\$0.46	3,691,250	\$0.42	

**14. Exploration and Evaluation Expenditures**

The Corporation incurred exploration and evaluation expenditures for the three months ended August 31, 2018 and 2017 as follows:

	August 31, 2018	August 31, 2017
Drilling	\$ 266,322	\$ 144,430
Exploration support and administration	933,209	202,621
Field operations and consumables	269,202	65,272
Geological consultants	54,828	137,592
Sampling and geological costs	353,584	25,250
Transportation	53,502	11,787
	\$ 1,930,646	\$ 586,952

**15. Loss Per Share**

The following table sets forth the computation of basic and diluted loss per common share for the three months ended August 31, 2018 and 2017:

	August 31, 2018	August 31, 2017
<b>Numerator</b>		
Net loss for the period	\$ (2,651,245)	\$ (923,560)
<b>Denominator</b>		
Basic – weighted average number of common shares outstanding	80,507,022	37,850,799
Effect of dilutive securities	-	-
Diluted – adjusted weighted average number of common shares outstanding	80,507,022	37,850,799
<b>Loss Per Share – Basic and Diluted</b>	\$ (0.03)	\$ (0.02)

## **16. Financial Instruments**

### **Fair value**

The Corporation's financial instruments consisted of cash and cash equivalents. The fair values of cash and cash equivalents approximate their carrying values because of their current nature.

### **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation's primary exposure to credit risk is on its cash and short-term investments which are being held in bank accounts. The cash and short-term investments are deposited in bank accounts held with one major bank in Canada so there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The Corporation has secondary exposure to risk on its sales tax receivables. The risk is minimal since it is recoverable from the Canadian government.

### **Foreign currency risk**

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the Corporation's functional currency. The Corporation only operates in Canada and is therefore not exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

### **Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rate. The Corporation's exposure to interest rate risk relates to its ability to earn interest income on cash at variable rates. The risk is minimal.

### **Liquidity risk**

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation has a planning and budgeting process in place to help determine the funds required to support the Corporation's normal operating requirements on an ongoing basis. The Corporation attempts to ensure there is sufficient access to funds to meet on-going business requirements, taking into account its current cash position and potential funding sources. Liquidity risk is assessed as low.

## **17. Management of Capital**

The Corporation's primary objectives in capital management are to safeguard the Corporation's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the development of the Soledad and Aija Projects. Capital is comprised of the Corporation's shareholders' equity. The Corporation manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. To maintain or adjust its capital structure, the Corporation may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

## **18. Supplemental Cash Flow Information**

The Corporation did not make any cash payments for income taxes during the three months ended August 31, 2018.

## **19. Segmented Information**

The Corporation's exploration and evaluation activities are located in Peru, with its head office function in Canada. All of the Corporation's capital assets, including equipment and the exploration and evaluation asset are located in Peru.

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**20. Related Party Disclosures**

The Corporation's related parties include key management personnel and companies related by way of directors or shareholders in common.

**(a) Key Management Personnel Compensation**

During the three months ended August 31, 2018 and 2017, the Corporation paid and/or accrued the following fees to key management personnel:

	August 31, 2018	August 31, 2017
<b>Fees</b>		
Management	\$ 84,175	\$ 58,457
Directors	38,563	48,999

Key management includes the Corporation's Board of Directors and members of senior management. The compensation noted in the table above includes stock-based compensation of \$739,511 and \$335,360 for management and directors, respectively.

**(b) Due to Related Parties**

As at August 31, 2018 the Corporation has the following amounts due to related parties:

	August 31, 2018	May 31, 2018
Management	\$ 9,201	\$ 13,167
Directors	5,250	15,138
	\$ 14,451	\$ 28,305

**21. Commitments under Operating Leases**

The Corporation leases various premises under operating leases which expire from April 30, 2019 to August 1, 2019. The Corporation is obligated to make \$156,899 in minimum lease payments under the premise leases in the fiscal year ending May 31, 2019.