



**Management's Discussion and Analysis
And
Consolidated Financial Statements
Year Ended December 31, 2018
(AUDITED)**

FILO MINING CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018
(Amounts in Canadian Dollars unless otherwise indicated)

The following management's discussion and analysis ("MD&A") of Filo Mining Corp. ("Filo Mining" or the "Company") should be read in conjunction with the consolidated financial statements for the year ended December 31, 2018 and related notes therein. The financial information in this MD&A is reported in Canadian dollars unless otherwise indicated and is partly derived from the Company's consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The effective date of this MD&A is March 19, 2018. Additional information about the Company and its business activities is available on SEDAR at www.sedar.com and the Company's website www.filo-mining.com.

Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained herein.

CORE BUSINESS

Filo Mining is a mineral exploration company, focused on its 100% controlled, flagship Filo del Sol Project, which is comprised of two adjacent land holdings: the Filo del Sol Property located in San Juan Province, Argentina, and the Tamberias Property, located in Region III, Chile. The Filo del Sol Project is located between the prolific Maricunga and El Indio gold belts, two major mineralized trends that contain such deposits as Caspiche, La Coipa, Veladero, and El Indio. The region is a stable mining jurisdiction and hosts a number of large-scale mining operations. The project area is covered under the Mining Integration and Complementation Treaty between Chile and Argentina, which provides the framework for the development of cross border mining projects.

The Company's most recent Mineral Resource estimate for the Filo del Sol Project, effective as of June 11, 2018, is comprised of 425.1 million tonnes at 0.33% copper, 0.32 g/t gold and 10.7 g/t silver, containing 3.1 billion pounds of copper, 4.4 million ounces of gold and 146.9 million ounces of silver in the Indicated category, and an Inferred Mineral Resource estimate of 175.1 million tonnes at 0.27% copper, 0.33 g/t gold and 6.2 g/t silver for 1.1 billion pounds of copper, 1.8 million ounces of gold and 34.8 million ounces of silver. In addition, the Filo del Sol Project continues to hold significant exploration potential, with less than 20% of the project area explored to date.

The Company recently completed a pre-feasibility study ("PFS") on the Filo del Sol Project, effective as of January 13, 2019, which not only confirmed, but also improved on, the project's robust economic potential. The PFS, which was based only on the oxide portion of the current Mineral Resource and used a copper price of US\$ 3.00/lb, US\$ 1,300/oz gold, and US\$ 20/oz silver, yielded an after-tax net present value ("NPV") of US\$ 1.28 billion at a discount rate of 8%, and generated an internal rate of return ("IRR") of 23%. Positive valuations were also maintained across a wide range of sensitivities on key assumptions.

The technical information relating to the PFS is based on a technical report titled "NI 43-101 Technical Report, Pre-feasibility Study for the Filo del Sol Project" dated February 22, 2019, with an effective date of January 13, 2019 (the "Technical Report"). The Technical Report was prepared for Filo Mining by Ausenco Engineering Canada Inc. ("Ausenco"). The Qualified Persons, as defined under NI 43-101, responsible for the Technical Report are Scott Elfen, P.E., Ausenco, Robin Kalanchey, P.Eng., Ausenco, Bruno Borntraeger, P.Eng., Knight Piesold Ltd., Fionnuala Devine, P.Geo., Merlin Geosciences Inc., Ian Stillwell, BGC Engineering Inc., Neil Winkelmann, FAusIMM, SRK Consulting (Canada) Inc., James N. Gray, P.Geo., Advantage Geoservices Limited, and Jay Melnyk, P.Eng., AGP Mining Consultants, all of whom are independent of Filo Mining. The Technical Report is available for review under the Company's profile on SEDAR at www.sedar.com and on the Company's website at www.filo-mining.com.

The Company's strategy is to create value for its shareholders by expanding and increasing the quality of the resources at the Filo del Sol Project and by completing engineering and other studies that are required to prepare the Filo del Sol Project for eventual development by the Company or by third parties.

The Company has a strong management team and board with extensive experience in the resource sector, particularly in Chile and Argentina. The board and management team have an appropriate mix of geological, engineering, financial, and business skills to advance the Company's projects and to generate value for its shareholders.

2018 OPERATING HIGHLIGHTS

Following the completion of the Company's preliminary economic assessment ("PEA") on the Filo del Sol Project in 2017, the Company proceeded with next phase engineering studies during the year ended December 31, 2018, with the support and undertaking of a PFS on the project by Ausenco Engineering Canada Inc.

To start the year, the Company successfully completed an extensive field program at the end of March 2018, which included 9,411 metres of drilling completed along with 4.5 tonnes of sample material collected in support of various PFS testwork disciplines. The drill program focused on resource conversion, with the objective of infill drilling to upgrade Inferred material to the Indicated category. To this end, the Company successfully updated the Mineral Resource estimate at the Filo del Sol Project, with an effective date of June 11, 2018, resulting in an overall increase in the Indicated tonnage by 14% to 425.1 million tonnes, thus maximizing the amount of material available for inclusion in the PFS, as appropriate. The updated Mineral Resource estimate is summarized by the following table:

Zone	Cutoff	Category	Tonnes (millions)	Cu (%)	Au (g/t)	Ag (g/t)	lbs Cu (millions)	Ounces Au (thousands)	Ounces Ag (thousands)
AuOx	0.20 g/t Au	Indicated	49.9	0.04	0.42	3.0	45	679	4,810
		Inferred	20.8	0.08	0.34	2.4	35	226	1,580
CuAuOx	0.15 % CuEq	Indicated	259.2	0.38	0.29	2.7	2,166	2,385	22,500
		Inferred	74.3	0.29	0.31	2.1	481	735	5,040
Ag	20 g/t Ag	Indicated	40.5	0.50	0.43	87.6	446	562	114,180
		Inferred	8.8	0.36	0.43	79.3	70	121	22,400
Sulphide	0.30 % CuEq	Indicated	75.5	0.27	0.34	2.2	451	813	5,370
		Inferred	71.2	0.30	0.33	2.5	470	750	5,740
Total		Indicated	425.1	0.33	0.32	10.7	3,108	4,439	146,860
		Inferred	175.1	0.27	0.33	6.2	1,056	1,832	34,760

¹ – CuAuOx copper equivalent (CuEq) assumes metallurgical recoveries of 82% for copper, 55% for gold and 71% for silver based on preliminary metallurgical testwork, and metal prices of US\$3/lb copper, US\$1300/oz gold, US\$20/oz silver. The CuEq formula is: $CuEq = Cu + Ag * 0.0084 + Au * 0.4239$;

² – Sulphide copper equivalent (CuEq) assumes metallurgical recoveries of 84% for copper, 70% for gold and 77% for silver based on similar deposits, as no metallurgical testwork has been done the Sulphide mineralization, and metal prices of US\$3/lb copper, US\$1300/oz gold, US\$20/oz silver. The CuEq formula is: $CuEq = Cu + Ag * 0.0089 + Au * 0.5266$;

³ – The Qualified Person for the resource estimate is James N. Gray, P.Geo. of Advantage Geoservices Ltd.;

⁴ – All figures are rounded to reflect the relative accuracy of the estimate;

⁵ – Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability;

⁶ – The resource was constrained by a Whittle* pit shell using the following parameters: Cu \$3/lb, Ag \$20/oz, Au \$1300/oz, slope of 45°, a mining cost of \$2.50/t and an average process cost of \$13.26/t.

During the latter half of the year, the Company focused on completion of metallurgical analyses and other PFS testwork disciplines, and their incorporation into the study. The PFS was substantially completed during the fourth quarter of 2018, and its results were announced by the Company on January 13, 2019. The completed PFS continues to support the Company's assertions that the Filo del Sol Project exhibits strong economics and remarkable potential, which are highlighted by:

- a US\$ 1.28 billion after-tax NPV using a discount rate of 8% and an IRR of 23%, at US\$ 3.00/lb copper, US\$ 1,300/oz gold, and US\$ 20/oz silver;

- average annual production of approximately 67,000 tonnes of copper (including copper as copper precipitate), 159,000 ounces of gold, and 8,653,000 ounces of silver at a C1 cost of US\$ 1.23/lb copper equivalent;
- pre-production capital costs totaling US\$ 1.27 billion (excluding costs prior to a construction decision);
- a 14 year mine life (including pre-stripping), producing almost 1.75 million pounds of copper as cathode, and 1.92 million ounces of gold and 104 million ounces of silver as doré, over the 13 year leach feed schedule, with additional copper recovered as high-grade copper precipitate; and
- a low strip ratio of 1.5:1.

The PFS also introduced an initial Mineral Reserve estimate for the Filo del Sol project, which, at a 0.01 US\$/tonne Net Value per Tonne ("NVPT") cut-off, is as follows:

Category (all domains)	Tonnage	Grade				Contained Metal		
	(Mt)	Cu (%)	Au (g/t)	Ag (g/t)	NVPT (\$/t)	Cu (M lbs)	Au (K oz)	Ag (K oz)
Proven	-	-	-	-	-	-	-	-
Probable	259.1	0.39	0.33	15.1	25.30	2,226	2,764	126,028
Total Proven and Probable	259.1	0.39	0.33	15.1	25.30	2,226	2,764	126,028

Notes to accompany Filo del Sol Mineral Reserves table:

1. Mineral Reserves have an effective date of 13 January 2019. The Qualified Person for the estimate is Mr. Jay Melnyk, P.Eng. of AGP Mining Consultants, Inc.
2. The Mineral Reserves were estimated in accordance with the CIM Definition Standards for Mineral Resources and Reserves;
3. The Mineral Reserves are supported by a mine plan, based on a pit design, guided by a Lerchs Grossmann (LG) pit shell. Inputs to that process are:
 - Metal prices of Cu \$3.00/lb, Ag \$20/oz, Au \$1300/oz;
 - Mining cost of \$2.00/t;
 - An average processing cost of \$9.73/t;
 - General and administration cost of \$2.02/t processed;
 - Pit slope angles varying from 29 to 45 degrees, inclusive of geotechnical berms and ramp allowances;
 - Process recoveries were based on rocktype. The average recoveries applied were 83% for Cu, 73% for Au and 80% for Ag, which exclude the adjustments for operational efficiency and copper recovered as precipitate which were included in the financial evaluation;
4. Dilution and Mining Loss adjustments were applied at ore/waste contacts using a mixing zone approach. The volumes of dilution gain and ore loss were equal, resulting reductions in grades of 1.0%, 1.3% and 1.0% for Cu, Au and Ag respectively;
5. Ore/Waste delineation was based on a Net Value Per Tonne (NVPT) breakeven cut-off considering metal prices, recoveries, royalties, process and G&A costs as per LG shell parameters stated above;
6. The life-of-mine (LOM) stripping ratio in tonnes is 1.52:1;
7. All figures are rounded to reflect the relative accuracy of the estimate. Totals may not sum due to rounding as required by reporting guidelines.

The PFS contemplates mining through conventional open pit methods, using a fully autonomous haul truck fleet, and sequential heap leaching, with only the deposit's oxide material incorporated into the study. The underlying copper-gold sulphide structure has not been fully tested nor included in any study or project economics to date, and represents potentially significant upside for the Filo del Sol Project, along with:

- improving metallurgical recoveries with additional test work and optimization of process parameters; and
- delineating more or higher-grade material through continued exploration of the Company's extensive land package, of which only approximately 20% has been explored to date.

Due to the timing of completion of the PFS, the Company did not have adequate information to plan for the undertaking of a feasibility study at the Filo del Sol Project during the 2018/2019 field season, which began in October 2018. Nonetheless, the Company did incorporate into the 2018/2019 field program certain then known and anticipated informational requirements for the next phase of engineering study, such as the undertaking of hydrogeological testwork and ongoing environmental assessments, which should provide a head start and facilitate the eventual undertaking of a feasibility study in the future.

Therefore, to continue enhancing the project and to maximize utilization of the field camp and personnel during this gap between engineering studies, the Company has been testing the Filo del Sol Project's extensive exploration potential, with a focus on drilling below the current resource to test the potential for a copper porphyry system. Diamond core drilling for the 2018/2019 field season began in November 2018, and the assay results for the first two completed holes have now been received, as disclosed on March 18, 2019.

The encouraging results confirm the Company's speculations that the current Mineral Resource is underlain by significant porphyry copper-gold mineralization, which extends to depths of over 1,000 metres below surface. Hole FSDH025, located completely outside of the current Mineral Resource, was drilled to a depth of 1,025 metres and returned grades of 0.30% copper, 0.22 g/t gold, and 1.6 g/t silver, including 132.0 metres at 0.48% copper, 0.30 g/t gold, and 1.2 g/t silver. Hole FSDH026 was drilled 500 metres to the south to a total depth of 613.9 metres, with the first 200 metres passing through the current Mineral Resource. Assays for FSDH026 yielded grades of 0.39% copper, 0.34 g/t gold, and 1.6 g/t silver, including 460.0 metres at 0.45% copper, 0.34 g/t gold, and 1.6 g/t silver. Both holes ended in mineralization and remain open to depth and laterally.

Assays are in progress for the third completed hole, and four additional diamond core holes are still in progress at the Filo del Sol Project, which are scheduled to be completed by the end of March 2019.

CORPORATE UPDATE

Credit Facilities

On January 12, 2018, the Company obtained an unsecured US\$ 2.0 million short-term credit facility (the "Initial Facility") from Zebra Holdings and Investments S.à.r.l ("Zebra"), an insider of the Company, to provide additional financial flexibility to fund ongoing exploration at the Filo del Sol Project and general corporate purposes. Zebra reports its security holdings in the Company as a joint actor with Lorito Holdings S.à.r.l., and at the time of entering into the Initial Facility, they collectively held more than 20% of the Company's issued and outstanding common shares. Zebra received 6,000 common shares of the Company upon execution of the Initial Facility, and an additional 300 common shares each month, for every US\$ 50,000 in principal outstanding on the Initial Facility, prorated accordingly for the number of days outstanding. The Initial Facility matured on January 12, 2019, and a total of 24,222 common shares have been issued to Zebra pursuant thereto, with no interest paid in cash.

On January 12, 2019, simultaneously with the maturing of the Initial Facility, the Company obtained an unsecured US\$ 5.0 million credit facility (the "Replacement Facility") from Zebra, which replaced the Initial Facility, and into which any outstanding balance owed by the Company under the Initial Facility was transferred. In addition, on February 28, 2019, the Company obtained an additional unsecured US\$ 5.0 million short-term credit facility (the "Additional Facility") from Zebra. Through the Replacement Facility and Additional Facility, the Company now has access to US\$ 10.0 million, which will be used, as necessary, to fund ongoing exploration at the Filo del Sol Project and for general corporate purposes. The maturity dates of the Replacement Facility and the Additional Facility are July 12, 2020, and February 28, 2020, respectively, with no interest payable in cash during their respective terms.

As consideration, the Replacement Facility and Additional Facility each grant Zebra the right to receive 300 common shares each month, for every US\$ 50,000 in principal outstanding under the respective facilities, prorated accordingly for the number of days outstanding. In addition, upon execution of the Additional Facility, Zebra received 6,000 common shares of the Company. As of the date of this MD&A, a total of 43,313 common shares have been issued to Zebra pursuant to the terms of the Replacement Facility and the Additional Facility.

All common shares issued in conjunction with the aforementioned credit facilities are subject to a four-month hold period under applicable securities laws.

Closing of Financings for \$25.5 Million

On February 28, 2018, the Company closed the sale of 5,894,231 common shares of the Company on a bought deal basis to a syndicate of underwriters led by Haywood Securities Inc. (the "Underwriters"), at a price of \$2.60 per share (the "Issue Price") for total gross proceeds of approximately \$15.3 million (the "Offering"), which included 124,231 common shares issued on partial exercise of an over-allotment option. The gross proceeds generated from the Offering were subject to a 5.0% commission, paid in cash.

On February 28, 2018, the Company also closed a concurrent private placement of 3,928,964 common shares, including 82,810 common shares issued to adjust for the Underwriters' partial exercise of the over-allotment option, at the Issue Price, for gross proceeds of approximately \$10.2 million (the "Concurrent Private Placement").

The Company has used the net proceeds from the Offering and Concurrent Private Placement for exploration and development at the Filo del Sol Project, including to fund the completion of the PFS, and for working capital and general corporate purposes.

OUTLOOK

The completion of a PFS at the Filo del Sol Project in January 2019 marked another significant project milestone. The study, which is highlighted by an after-tax NPV of US\$ 1.28 billion at an 8% discount rate and an IRR of 23%, continues to confirm the Company's views that its flagship asset bolsters significant size, scope, and economic potential. The Company is now analyzing the results and recommendations arising from the PFS to assess its next steps with respect to advancing the project, which may include the undertaking of a feasibility-level study, as appropriate. That being said, even during this evaluation and assessment period, the Company is still progressing with certain feasibility-level testwork during the 2018/2019 field season, which should facilitate to the eventual undertaking of a feasibility study in the future, such as conducting hydrogeological testwork to confirm an industrial source of water for the project, as well as ongoing environmental baseline studies.

Nonetheless, the Company also remains cognisant of the fact that all studies and economic analyses completed to date on the Filo del Sol Project incorporate only the oxide portion of the current resource. With a largely undefined sulphide structure underlying the oxide material, as well as the Company's considerable land package, of which less than 20% has been explored to date, the Company elected to simultaneously dedicate some resources to test the exploration potential at the Filo del Sol Project during the 2018/2019 field season.

Accordingly, diamond core drilling began at the Filo del Sol Project in November 2018, with a focus on evaluating the sulphide mineralization, which sits below the oxide layers of the current deposit. The first batch of assay results, related to the first two completed holes of this drill campaign, were released on March 18, 2019, and confirm the existence of a much larger copper-gold porphyry system underlying the current Mineral Resource as incorporated into the PFS. The first two holes, which end in mineralization, are highlighted respectively by 1,025 metres at 0.30% copper, 0.22 g/t gold, and 1.6 g/t silver, and 613.9 metres 0.39% copper, 0.34 g/t gold, and 1.6 g/t silver.

Assays are in progress for a third completed hole, and diamond drilling continues at the Filo del Sol Project with four additional diamond holes as part of the 2018/2019 field campaign, scheduled for completion by the end of March 2019. Additional assays will be released as they become available.

RESULTS FROM OPERATIONS

Year Ended	Dec-18	Dec-17	Dec-16 ¹
Net loss (\$000's)	28,891	18,695	8,666
Loss per share, basic and diluted (\$)	0.41	0.30	0.16
Total assets (\$000's)	11,938	10,193	26,151

¹ Filo Mining was incorporated on May 12, 2016 under the Canada Business Corporations Act in connection with a plan of arrangement to reorganize the business of NGEx Resources Inc., which was completed on August 16, 2016 (the "NGEx Arrangement"). Amounts presented in the table prior to completion of the NGEx Arrangement were carved out from figures previously reported by NGEx Resources Inc. in accordance with the continuity of interest basis of accounting, as discussed in the Company's audited consolidated financial statements for the year ended December 31, 2016.

Filo Mining is a junior exploration company and, as such, its net losses are largely driven by its exploration and project investigation activities and there is no expectation of generating operating profits until it identifies and develops a commercially viable mineral deposit.

Key financial results for the last eight quarters are provided in the table below.

Three Months Ended	Dec-18	Sep-18	Jun-18	Mar-18	Dec-17	Sep-17	Jun-17	Mar-17
Exploration costs (\$000's)	5,183	2,208	3,595	13,132	3,605	1,227	1,257	8,930
Operating loss (\$000's)	6,201	3,816	4,433	14,626	4,564	2,538	2,042	9,565
Net loss (\$000's)	6,191	3,865	4,446	14,389	4,580	2,549	2,053	9,513
Net loss per share, basic and diluted (\$)	0.09	0.05	0.06	0.22	0.07	0.04	0.03	0.15

Due to the geographic location of the Filo del Sol Project, the Company's business activities fluctuate with the seasons, through increased drilling and other exploration activities during the summer months in South America. As a result, a general recurring trend is the increase in exploration expenditures, and therefore net losses, for the fourth quarter and first quarter of a fiscal year, relative to the second and third quarters. In addition, other relevant factors, such as the financial position of the Company, other corporate initiatives, as well as the type and scope of planned exploration/project work, could affect the level of exploration activities and net loss in a particular period.

Filo Mining incurred a net loss of \$28.9 million (2017: \$18.7 million) for the year ended December 31, 2018. Exploration and project investigation costs are the most significant expenditures of the Company and account for approximately 83% (2017: 80%) of the net loss during the year. This is reflective of the Company's accounting policy to expense its exploration costs through the consolidated statement of comprehensive loss, except for mineral property option payments and mineral property acquisition costs, which are capitalized.

Exploration and project investigation costs for the year ended December 31, 2018 were \$24.1 million, which exceeded the prior year (2017: \$15.0 million). This increase is due to the execution of a larger exploration program during the 2017/2018 exploration season, which ran from October 2017 to March 2018, to generate and collect data in support of the PFS on the Filo del Sol Project, and increased technical costs related to the current study itself, such as metallurgical testwork. Detailed breakdowns of exploration costs for the years ended December 31, 2018 and 2017, are provided in the notes to the consolidated financial statements.

Excluding share-based compensation, administration costs for the year ended December 31, 2018 were \$2.8 million (2017: \$2.0 million). Share-based compensation, a non-cash cost, reflects the amortization of the estimated fair value of options over their vesting period and is based to a large degree on the Company's share price and its volatility. The actual future value to the option holders may differ materially from these estimates as it depends on the trading price of the Company's shares if and when the options are exercised. In addition, as the granting of options and their vesting is at the discretion of the Board, the related expense is unlikely to be uniform across quarters or financial years.

Compensation costs for the year ended December 31, 2018, were higher than the prior year primarily due to the addition of Mr. Adam Lundin as the Company's full-time President and CEO in September 2017, and also the larger relative size of management incentive bonuses awarded in 2018. In addition, travel and promotion costs incurred during the year ended December 31, 2018 were higher than those incurred during 2017 as a result of additional promotional activities, particularly those undertaken in the first quarter of 2018 in relation to the Offering and Concurrent Private Placement, which closed in February 28, 2018, and yielded aggregate gross proceeds of \$25.5 million.

During the year ended December 31, 2018, the Company also reported a gain of \$0.4 million in connection with the disposal of mineral properties. On February 21, 2018, the Company transferred its 100% interest in certain non-core mining concessions located in San Juan Province, Argentina to NGEx Resources Inc. ("NGEx"), and also granted NGEx an option to acquire a 100% interest in additional non-core mining concessions, in exchange for total cash consideration of \$65,000 and non-cash consideration with an estimated fair value of \$358,000. Further details of the transaction can be found under the Related Party Transactions section below.

Also, during the year ended December 31, 2018, the Company recognized a monetary gain of \$39,000 (2017: \$nil) in relation to the application of hyper-inflationary accounting for the Company's Argentine subsidiary beginning July 1, 2018. A detailed discussion regarding the application of hyper-inflationary accounting can be found in the Significant Accounting Policies section below, and the notes to the consolidated financial statements.

No tax recovery is recognized as a result of the nature of the Company's activities and the lack of reasonably expected taxable profits in the near term.

In other comprehensive income, the Company reported a foreign exchange translation loss of \$0.5 million (2017: \$0.2 million) for the year ended December 31, 2018, on translation of subsidiary company accounts from their functional currency to the Canadian dollar presentation currency. For the year ended December 31, 2018, fluctuations of the Canadian dollar relative to the Chilean peso contributed significantly to the translation loss recognized. In addition, for the year ended December 31, 2018, the loss also reflects fluctuations of the Canadian dollar exchange rate relative to the Argentine peso until June 30, 2018, at which point subsequent fluctuations in this exchange rate are combined and reported as impacts of hyperinflation. In this regard, the impact of hyperinflation for the year ended December 31, 2018 was a gain of \$0.4 million (2017: \$nil) and consists of adjustments recognized on the application of hyper-inflationary accounting to opening non-monetary balances on July 1, 2018, the continuing inflation of these opening non-monetary balances during the six months ended December 31, 2018, and the ongoing translation of the Company's Argentine subsidiary into the Canadian dollar presentation currency following June 30, 2018 as mentioned above.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2018, the Company had cash of \$2.4 million and a net working capital deficit of \$0.6 million, which includes \$2.2 million drawn and outstanding against the Initial Facility, compared to cash of \$2.4 million and net working capital of \$1.5 million, as at December 31, 2017.

Despite having raised net proceeds totaling \$24.4 million during the year from the Offering and the Concurrent Private Placement, as at December 31, 2018, this cash inflow has been more than offset by funds directed towards advancing the Filo del Sol Project through the PFS as highlighted above, funding of the current 2018/2019 field program which began in October 2018, and to a lesser extent, \$0.5 million spent in relation to the annual option payment made for the Tamberias property in June 2018 and funds spent for general corporate purposes.

Based on Filo Mining's financial position at December 31, 2018, the Company anticipates the need for further funding to support a planned field program at its South American operations. The Company is currently evaluating potential additional sources of financing for its exploration program and operations. Historically, capital requirements have been primarily funded through equity financing, joint ventures, disposition of mineral properties and investments, and the use of short-term credit facilities. While management is confident that additional sources of funding will be secured to fund planned expenditures for at least twelve months from December 31, 2018, factors that could affect the availability of financing include the progress and results of ongoing exploration at the Company's mineral properties, the state of international debt and equity markets, and investor perceptions and expectations of the global gold, silver, and/or copper markets. There can be no assurance that such financing will be available in the amount required at any time or for any period or, if available, that it can be obtained on terms satisfactory to the Company. Based on the amount of funding raised, the Company's planned exploration or other work programs may be postponed, or otherwise revised, as necessary.

As summarized in the Corporate Update section above, subsequent to the December 31, 2018, the Company has secured access to a total of US\$ 10.0 million in funds through the Replacement Facility and the Additional Facility, which will provide the Company with financial flexibility to fund ongoing exploration at the Filo del Sol Project and for general corporate purposes, while it continues to evaluate potential additional sources of financing.

RELATED PARTY TRANSACTIONS

Related party services

The Company has a cost sharing arrangement with NGEx, a related party by way of directors, officers and shareholders in common. Under the terms of this arrangement, the Company provides executive management, technical exploration and exploration support services to NGEx, and NGEx provides technical advisory and administrative services to the Company. In addition, the Company engages Bofill Mir & Alvarez Jana Abogados Ltda. ("BMJAL"), a Chilean legal firm, of which a director of the Company is a partner. These transactions were incurred in the normal course of operations, and are summarized as follows:

	Year ended December 31,	
	2018	2017
Executive management, technical exploration and exploration support services to NGEx	735,822	1,296,287
Financial management and administrative services from NGEx	(555,443)	(142,815)
Legal services from BMJAL	86,240	67,965

Related party balances

The amounts due from (to) related parties, and the components of the consolidated statement of financial position in which they are included, are as follows:

	Related Party	December 31, 2018	December 31, 2017
Receivables and other assets	NGEx	523,244	366,435
Accounts payable and accrued liabilities	NGEx	(77,492)	(93,617)
Accounts payable and accrued liabilities	BMJAL	(15,463)	(23,135)

Disposal of mineral properties

On February 21, 2018, the Company, through its wholly-owned subsidiary, closed a transaction with two wholly-owned subsidiaries of NGEx, whereby the Company transferred its 100% interest in certain non-core mining concessions (the "Primary Properties") to NGEx and granted NGEx an option to acquire a 100% interest in additional non-core mining concessions (the "Additional Properties") located in San Juan Province, Argentina (the "Disposal Transaction") in exchange for the following consideration:

- the Company's right to use NGEx's Batidero camp facility in Argentina for a minimum period of two years, which shall be automatically renewed unless terminated by NGEx with one year's advance notice (the "Camp Use Agreement");
- a 3% net smelter return ("NSR") royalty payable on future production of certain mining concessions transferred to NGEx, 2% of which can be re-purchased by NGEx at any time for \$2,000,000; and
- cash consideration totalling approximately \$65,000, comprised of US\$20,000 and \$39,000.

As a transaction with significant non-monetary components, for which fair values could not be derived from observable market transactions or information, the fair value of the Disposal Transaction was determined based upon the estimated fair value of the consideration received by the Company. The total fair value of the consideration received by the Company pursuant to the Disposal Transaction is estimated to be approximately \$423,000, of which \$358,000 is attributable to the Camp Use Agreement, and approximately \$65,000 is attributable to the total cash consideration received. Accordingly, as the Primary Properties and Additional Properties had no carrying value in the consolidated financial statements of the Company prior to the disposal, a gain of \$423,000 has been recognized for the year ended December 31, 2018.

Key management compensation

The Company's key management personnel have the authority and responsibility for overseeing, planning, directing and controlling its activities and consist of the Board of Directors and members of the executive management team. Total compensation expense for key management personnel, and the composition thereof, is as follows:

	Year ended December 31,	
	2018	2017
Salaries	1,087,500	1,341,539
Short-term employee benefits	45,477	35,617
Directors fees	97,000	86,583
Stock-based compensation	1,981,235	1,548,394
Incentive bonuses	470,000	207,000
	3,681,212	3,219,133

SIGNIFICANT ACCOUNTING POLICIES

The Company's significant account policies are described in Notes 3 to 5 of the audited consolidated financial statements for year ended December 31, 2018, as on SEDAR at www.sedar.com.

New Accounting Pronouncements

The IASB and the IFRS Interpretations Committee (previously the International Financial Reporting Interpretations Committee, IFRIC) have issued a number of new and revised International Accounting Standards, IFRS amendments and related interpretations which are effective for the Company for periods after December 31, 2018, beginning on the dates indicated below. Pronouncements that are not applicable to the Company have been excluded from those described below.

Pronouncement	Effective Date
IFRS 16, <i>Leases</i> , specifies how leases should be recognized, measured, presented and disclosed. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	Required to be applied for years beginning on or after January 1, 2019.
The Company does not expect the adoption of this new standard to have a material impact on the financial position and results of the Company, as the Company does not currently have any material leases.	

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements in accordance with IFRS, such as the underlying consolidated financial statements for the year ended December 31, 2018, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and expenditures. These estimates and assumptions are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience. Actual results could differ from those estimates and such differences could be material. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. Information about estimates and assumptions that could have the most significant effect on the recognition and measurement of assets is provided below.

Valuation of mineral properties – The Company carries the acquisition costs of its mineral properties at cost less any provision for impairment. The Company undertakes periodic reviews of the carrying values of mineral properties and whenever events or changes in circumstances indicate that their carrying values may exceed their fair value. In undertaking these reviews, management of the Company is required to make significant estimates. These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the mineral properties and related expenditures.

Hyper-inflationary accounting – Beginning July 1, 2018, the Company has designated Argentina as a hyper-inflationary economy in accordance with IAS 29, *Financial Reporting in Hyper-inflationary Economies*, and has therefore employed the use of the hyper-inflationary accounting to consolidate and report its Argentine operating subsidiary. The determination of whether an economy is hyper-inflationary requires the Company to make certain estimates and judgements, such as assessment of historic inflation rates and anticipation of future trends. In addition, the application of hyper-inflationary accounting in accordance with IAS 29 requires the selection and use of price indices to estimate the impact of inflation on the non-monetary assets and liabilities, and results of operations of the Company. The selection of price indices is based on the Company's assessment of various available price indices on the basis of reliability and relevance. Changes in any such estimates may significantly impact the carrying value of those non-monetary assets or liabilities, and results of operations, which are subject to hyper-inflationary adjustments, and the related gains and losses within the consolidated statements of loss and comprehensive loss.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables and other assets, trade payables and accrued liabilities, and the amounts owing pursuant to credit facilities, with carrying values considered to be reasonable approximations of fair value due to the short-term nature of these instruments.

As at December 31, 2018, the Company's financial instruments are exposed to the following financial risks, including credit, liquidity and currency risks:

- (i) Credit risks associated with cash is minimal as the Company deposits the majority of its cash with a large Canadian financial institution that has been accorded a strong investment grade rating by a primary rating agency.
- (ii) Liquidity risks associated with the inability to meet obligations as they become due is minimized through the management of its capital structure and by maintaining good relationships with bankers. The Company also closely monitors and reviews its costs to date and actual cash flows on a monthly basis.

The maturities of the Company's financial liabilities as at December 31, 2018 are as follows:

	Total	Less than 1 year	1-5 years	More than 5 years
Accounts payable and accrued liabilities	3,218,576	3,218,576	-	-
Amounts owing pursuant to credit facility	2,202,548	2,202,548	-	-
Total	5,421,124	5,421,124	-	-

Subsequent to December 31, 2018, the amounts owing pursuant to the credit facility, as per the preceding table, were transferred into the Replacement Facility maturing on July 12, 2020, as detailed in the Corporate Update section above.

- (iii) Foreign currency risk can arise when the Company or its subsidiaries transact or have net financial assets or liabilities which are denominated in currencies other than their respective functional currencies.

At December 31, 2018, the Company's largest foreign currency risk exposure existed at the level of its Canadian headquarters, Filo Mining Corp., where the Company held a net financial liability position denominated in US dollars having a Canadian dollar equivalent of approximately \$2.2 million. A 10% change in the foreign exchange rate between the US dollar, and the Canadian dollar, Filo Mining Corp.'s functional currency, would give rise to increases/decreases of approximately \$220,000 in financial position/comprehensive loss.

OUTSTANDING SHARE DATA

As at March 19, 2019, the Company had 72,860,014 common shares outstanding and 6,417,916 share options outstanding under its share-based incentive plan.

FINANCIAL INFORMATION

The Company's next scheduled interim report will be for the three months ended March 31, 2019, which is expected to be published on or around May 8, 2019.

RISKS AND UNCERTAINTIES

The operations of the Company are speculative due to the high-risk nature of its business, which includes the acquisition, financing, exploration, development and operation of mineral and mining properties. There are a number of factors that could negatively affect the Company's business and the value of its common shares, including the more significant risk factors identified by the Company and listed below. The following information pertains to the outlook and conditions currently known to the Company that could have a material impact on the financial condition of the Company. Other factors may arise that are not currently foreseen by management of the Company that may present additional risks in the future. Current and prospective security holders of the Company should carefully consider these risk factors, as they could materially affect the Company's future operations and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Exploration and Development Risk

Mining exploration, development and operations generally involve a high degree of risk that cannot be eliminated, which can adversely impact our success and financial performance. Exploration for and development of mineral deposits involves a high degree of risk and few properties that are explored are ultimately developed into producing mines.

Major expenses are typically required to locate and establish Mineral Reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. Whether a mineral deposit will be commercially viable depends on a number of factors, which include, among other things, the following:

- the interpretation of geological data obtained from drill holes and other sampling techniques;
- feasibility studies (which include estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed);
- the particular attributes of the deposit, such as size, grade and metallurgy; expected recovery rates of metals from the ore;
- proximity to infrastructure and labour; the ability to acquire and access land; the availability and cost of water and power; anticipated climatic conditions;
- cyclical metal prices; fluctuations in inflation and currency exchange rates;
- higher input commodity and labour costs; and
- government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection.

The risks and uncertainties inherent in exploration activities include but are not limited to: legal and political risk arising from operating in certain developing countries; civil unrest; general economic; market and business conditions; the regulatory process and actions; failure to obtain necessary permits and approvals; technical issues; new legislation; competitive and general economic factors and conditions; the uncertainties resulting from potential delays or changes in plans; the occurrence of unexpected events; and management's capacity to execute and implement its future plans. Discovery of mineral deposits is dependent upon a number of factors, not the least of which are the technical skills of the exploration personnel involved and the capital required for the programs. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. There is no assurance that the Company's mineral exploration activities will result in any discoveries of new bodies of commercial ore. There is also no assurance that even if commercial quantities of ore are discovered that a new ore body would be developed and brought into commercial production. The commercial viability of a mineral deposit once discovered is also dependent upon a number of factors, some of which are the particular attributes of the deposit (such as size, grade, metallurgy and proximity to infrastructure and labour), the interpretation of geological data obtained from drilling and sampling, feasibility studies, the cost of water and power; anticipated climatic conditions; cyclical metal prices; fluctuations in inflation and currency exchange rates; higher input commodity and labour costs, commodity prices, government regulations, including regulations relating to prices, taxes, royalties, land tenure and use, allowable production, importing and exporting of minerals, and environmental protection. Most of the above factors are beyond the control of the Company. Development projects will also be subject to the successful completion of final feasibility studies, issuance of necessary permits and other governmental approvals and receipt of adequate financing. The exact effect of these factors cannot be accurately predicted, but the combination of any of these factors may adversely affect the Company's business.

Our operations are subject to all of the hazards and risks normally encountered in the exploration and development of copper, gold, and silver projects and properties, including unusual and unexpected geologic formations, seismic activity, rock slides, ground instabilities or failures, mechanical failures, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of facilities, damage to life or property, environmental damage and possible legal liability.

We are concentrated in the copper/gold/silver mining industry, and as such, our success will be sensitive to changes in, and our performance will depend to a greater extent on, the overall condition of the copper/gold/silver mining industry. Our business may be negatively impacted by fluctuations in the copper/gold/silver mining industry generally. We may be susceptible to an increased risk of loss, including losses due to adverse occurrences affecting us more than the market as a whole, as a result of the fact that our projects and properties are concentrated in the copper/gold/silver mining sector.

Technical Information

The Company's Mineral Reserve and Mineral Resource estimations as reported in this MD&A have been prepared in accordance with the CIM Definition Standards that are incorporated by reference in NI 43-101. The following definitions are reproduced from the CIM Definition Standards:

A "Mineral Resource" is a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

An "Inferred Mineral Resource" is that part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.

An "Indicated Mineral Resource" is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors (as defined below) in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Mineral Reserve.

A "Measured Mineral Resource" is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proven Mineral Reserve or to a Probable Mineral Reserve.

A "Mineral Reserve" is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at pre-feasibility or feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. The reference point at which Mineral Reserves are defined, usually the point where the ore is delivered to the processing plant, must be stated. It is important that, in all situations where the reference point is different, such as for a saleable product, a clarifying statement is included to ensure that the reader is fully informed as to what is being reported. The public disclosure of a Mineral Reserve must be demonstrated by a pre-feasibility study or feasibility study.

A "Probable Mineral Reserve" is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Mineral Reserve is lower than that applying to a Proven Mineral Reserve.

A "Proven Mineral Reserve" is the economically mineable part of a Measured Mineral Resource. A Proven Mineral Reserve implies a high degree of confidence in the Modifying Factors.

For the purposes of the CIM Definition Standards, "Modifying Factors" are considerations used to convert Mineral Resources to Mineral Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors.

Mineral Reserves and Mineral Resources Estimates

The Company's reported mineral reserves and mineral resources are estimations only. No assurance can be given that the estimated mineral reserves and mineral resources are accurate or that the indicated level of copper, gold, silver or any other mineral will be recovered or produced. Actual mineralization or formations may be different from those predicted. It may take many years from the initial phase of drilling before production is possible and during that time the economic feasibility of exploiting a discovery may change. Market price fluctuations of copper, gold and silver and certain other metals, as well as increased production and capital costs or reduced recovery rates, may render the Company's mineral reserves uneconomic to develop. Moreover, short-term operating factors relating to the mineral reserves, such as the need for the orderly development of orebodies, the processing of new or different ore grades, the technical complexity of ore bodies, unusual or unexpected geological formations, ore dilution or varying metallurgical and other ore characteristics may cause mineral reserves to be reduced. Estimated reserves may have to be recalculated based on fluctuations in the price of metals, or changes in other assumptions on which they are based. Any of these factors may require the Company to reduce its mineral reserves and resources, which could have a negative impact on the Company's business.

Failure to obtain or maintain necessary permits or government approvals or changes to applicable legislation could also cause the Company to reduce its reserves. In addition, changes to mine plans could cause the Company to reduce its reserves. There is also no assurance that the Company will achieve indicated levels of copper, gold or silver recovery or obtain the prices assumed in determining such reserves.

Mineral resources that are not mineral reserves do not have demonstrated economic viability and there is no assurance that they will ever be mined or processed profitably. Due to the uncertainty which may attach to mineral resources, there is no assurance that all or any part of Measured or Indicated mineral resources will ever be converted into mineral reserves; and no assurance that all or any part of an Inferred mineral resources exists or is economically or legally mineable.

Metal Price Risk

The Company's portfolios of properties and investments have exposure to predominantly copper, gold, and silver. Commodity prices fluctuate widely and are affected by numerous factors beyond the Company's control, such as the sale or purchase of metals by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major metals-producing and metals-consuming countries throughout the world. The prices of these metals greatly affect the value of the Company, the price of the common shares of the Company and the potential value of its properties and investments. This, in turn, greatly affects its ability to form joint ventures, option agreements and the structure of any joint ventures formed. This is due, at least in part, to the underlying value of the Company's assets at different metals prices.

Current Global Financial Conditions

Market events and conditions can cause significant volatility to commodity prices. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions can increase the levels of volatility in the global stock markets, which can adversely affect the Company's operations and the value and price of the Company's Common shares. The Company is dependent on the equity markets as its main source of operating working capital and the Company's capital resources are largely determined by the strength of the resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects. Access to public financing has been negatively impacted by concerns over global growth rates and conditions. Consequently, equity financing may not be available to the Company in the amount required at any time or for any period or, if available, it may not be obtained on terms satisfactory to the Company.

Permitting

The Company's development and exploration activities are subject to permitting requirements in both Argentina and Chile. In particular, comprehensive environmental assessments will be necessary for the project in Argentina in order to obtain the necessary approval for each of the project stages, which assessment will be conducted in compliance with Argentinian regulations. Project development will also require an environmental impact assessment study in Chile. Following the receipt of environmental approvals, additional permits, licences, authorizations, and certificates will be required to proceed to project construction, including, for example, mining water and fuel delivery, sewage water treatment, hazardous waste plans, drilling and closure plans. Failure to obtain required permits and/or to maintain compliance with permits once obtained could result in injunctions, fines, suspension or revocation of permits and other penalties.

There can be no assurance that the Company will obtain all such permits and/or achieve or maintain full compliance with such permits at all times. Activities required to obtain and/or achieve or maintain full compliance with such permits can be costly and involve extended timelines.

Previously issued permits may be suspended or revoked for a variety of reasons, including through government or court action. Failure to obtain and/or comply with required permits can have serious consequences, including: damage to the Company's reputation; stopping the Company from proceeding with the development of a project; negatively impacting further development of a mine; and increasing the costs of development and litigation or regulatory action against the Company, and may materially adversely affect the Company's business, results of operations or financial condition.

Foreign Operations Risk

The Company conducts exploration activities in Argentina and Chile, which exposes the Company to risks that may not otherwise be experienced if all operations were located in Canada. The risks vary from country to country and can include, but are not limited to, civil unrest or war, terrorism, illegal mining, changing political conditions, fluctuations in currency exchange rates, expropriation or nationalization without adequate compensation, changes to royalty and tax regimes, high rates of inflation, labour unrest and difficulty in understanding and complying with the regulatory and legal framework respecting ownership and maintenance of mineral properties. Changes in mining or investment policies or shifts in political attitudes may also adversely affect the Company's existing assets and operations. Real and perceived political risk may also affect the Company's ability to finance exploration programs and attract joint venture or option partners, and future mine development opportunities.

Numerous countries have introduced changes to mining regimes that reflect increased government control or participation in the mining sector, including, but not limited to, changes of law affecting foreign ownership, mandatory government participation, taxation and royalties, exploration licensing, export duties, and repatriation of income or return of capital. There can be no assurance that industries, which are deemed of national or

strategic importance in countries in which the Company has assets, including mineral exploration, will not be nationalized. There is a risk that further government limitations, restrictions or requirements, not presently foreseen, will be implemented. Changes in policy that alter laws regulating the mining industry could have a material adverse effect on the Company. There can be no assurance that the Company's assets in these countries will not be subject to nationalization, requisition or confiscation, whether legitimate or not, by an authority or body.

In addition, in the event of a dispute arising from foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. The Company also may be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. It is not possible for the Company to accurately predict such developments or changes in laws or policy or to what extent any such developments or changes may have a material adverse effect on the Company.

Economic and Political Instability in Argentina

The Filo del Sol Project is located in San Juan Province, Argentina. There are risks relating to an uncertain or unpredictable political and economic environment in Argentina, especially as there is social opposition to mining operations in certain parts of the country. During an economic crisis in 2001 to 2003 and again in 2014, Argentina defaulted on foreign debt repayments and on the repayment on a number of official loans to multinational organizations. In addition, the government has renegotiated or defaulted on contractual arrangements. The previous Argentinean government placed currency controls on the ability of companies and its citizens to obtain United States dollars, in each case requiring Central Bank approval (resulting in, at times, a limitation on the ability of multi-national companies to distribute dividends abroad in United States dollars) and revoked exemptions previously granted to companies in the oil and gas and mining sectors from the obligation to repatriate 100% of their export revenues to Argentina for conversion in the local foreign exchange markets, prior to transferring funds locally or overseas. Similarly, the government adopted a requirement that importers provide notice to the government and obtain approval for importation before placing orders for certain goods. These measures have been lifted by the new government that took office in December 2015. However, the past actions indicate that the Argentinean government may from time to time alter or impose additional requirements or policies that may adversely affect the Company's activities in Argentina or in its ability to attract joint venture partners or obtain financing for its projects in the future.

Currency Risk

The Company will transact business in a number of currencies including but not limited to the US Dollar, the Argentine Peso and the Chilean Peso. The Argentine Peso in particular has had significant fluctuations in value relative to the US and Canadian dollars. Ongoing economic uncertainty in Argentina, including inflationary pressures, as well as unpredictable changes to foreign exchange rules may result in fluctuations in the value of the Argentine Peso that are greater than those experienced in the recent past. Fluctuations in exchange rates may have a significant effect on the cash flows of the Company. Future changes in exchange rates could materially affect the Company's results in either a positive or a negative direction. The Company does not currently engage in foreign currency hedging activities.

Title Risk

The Company has investigated its right to explore and exploit its properties and, to the best of its knowledge, those rights are in good standing. The results of the Company's investigations should not be construed as a guarantee of title. Other parties may dispute the title to a property, or the property may be subject to prior unregistered agreements or liens and transfers or land claims by aboriginal, native, or indigenous peoples. The title may be affected by undetected encumbrances or defects or governmental actions. The Company has not conducted surveys of all of its properties, and the precise area and location of claims or the properties may be challenged and no assurances can be given that there are no title defects affecting such properties. The rules

governing mining concessions in Chile and Argentina are complex and any failure by the Company to meet requirements would have a material adverse effect on the Company. Any defects in the title to the Company's properties could have a material and adverse effect on the Company.

No assurance can be given that applicable governments will not revoke or significantly alter the conditions of the applicable exploration and mining authorizations nor that such exploration and mining authorizations will not be challenged or impugned by third parties. Although the Company has not had any problem renewing its licenses in the past there is no guarantee that it will always be able to do so. Inability to renew a license could result in the loss of any project located within that license.

The Company is earning an interest in the Tamberias property through an option agreement requiring property payments and acquisition of title to the properties is completed only when the option conditions have been met. If the Company does not satisfactorily complete these option conditions in the period laid out in the option agreements, the Company's title to the related property will not vest and the Company will have to write down its previously capitalized costs related to that property.

Dependence on Single Project

The Filo del Sol Project is the Company's sole project and therefore, any adverse development with respect to the Filo del Sol Project will have a material adverse effect on the Company.

Negative Operating Cash Flow

The Company is an exploration stage company and has not generated cash flow from operations. The Company is devoting significant resources to the development and acquisition of its properties, however there can be no assurance that it will generate positive cash flow from operations in the future. The Company expects to continue to incur negative consolidated operating cash flow and losses until such time as it achieves commercial production at a particular project. The Company currently has negative cash flow from operating activities.

Uncertainty of Funding

The exploration and development of mineral properties requires a substantial amount of capital and may depend on the Company's ability to obtain financing through joint ventures, debt financing, equity financing or other means. General market conditions, volatile metals prices, a claim against the Company, a significant disruption to the Company's business, or other factors may make it difficult to secure the necessary financing. There is no assurance that the Company will be successful in obtaining required financing as and when needed on acceptable terms. Failure to obtain any necessary additional financing may result in delaying or indefinite postponement of exploration or development or even a loss of property interest. If the Company needs to raise additional funds, such financing may substantially dilute the interests of shareholders of the Company and reduce the value of their investment.

Control of Filo

As at the date of this MD&A, Zebra and Lorito Holdings S.à.r.l. ("Lorito"), who report their security holdings as joint actors, together own 22,209,203 Common shares of the Company, representing 30.5% of the issued and outstanding Common shares. Accordingly, they are considered to be control persons of Filo. As long as Zebra and Lorito maintain their current interests in Filo, they will have the ability to exercise certain influence with respect to the affairs of Filo and significantly affect the outcome of the votes of shareholders. There is a risk that the interests of Zebra and Lorito differ from those of other shareholders.

As a result of the current shareholdings of Zebra and Lorito, there is a risk that the Company's securities are less liquid and trade at a relative discount compared to circumstances where these persons did not have the ability to influence or determine matters affecting Filo. Additionally, there is a risk that their current ownership interests

in Filo discourages transactions involving a change of control of Filo, including transactions in which an investor, as a holder of the Company's securities, would otherwise receive a premium for its Corporation's securities over the then-current market price.

Future offerings of debt or equity securities

The Company may require additional funds to finance further exploration, development and production activities, or to take advantage of unanticipated opportunities. If the Company raises additional funds by issuing additional equity securities, such financing would dilute the economic and voting rights of the Company's shareholders. Since the Company's capital needs depend on market conditions and other factors beyond its control, it cannot predict or estimate the amount, timing or nature of any such future offering of securities. Thus, holders of common shares of the Company bear the risk of any future offerings reducing the market price of the common shares and diluting their shareholdings in the Company.

Corruption and Bribery

The Company is required to comply with anti-corruption and anti-bribery laws, including the *Extractive Sector Transparency Measures Act*, the *Canadian Corruption of Foreign Public Officials Act* and the U.S. *Foreign Corrupt Practices Act*, as well as similar laws in the countries in which the Company conducts its business. If the Company finds itself subject to an enforcement action or is found to be in violation of such laws, this may result in significant penalties, fines and/or sanctions imposed on the Company resulting in a material adverse effect on the Company.

Conflicts of Interest

Some of the directors and employees/officers of the Company are also directors and employees/officers of other companies that are similarly engaged in the business of acquiring, exploring and developing natural resource properties. In addition, certain individuals also serve as officers of Filo Mining and are subject to the Services Agreement. Such associations may give rise to conflicts of interest from time to time. In particular, one of the consequences will be that corporate opportunities presented to a director or employee/officer of the Company may be offered to another Corporation, or companies with which the director or employee/officer is associated, and may not be presented or made available to the Company. The directors and employees/officers of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company, to disclose any interest that they may have in any project or opportunity of the Company, and to abstain from voting on such matter. Conflicts of interest that arise will be subject to and governed by the procedures prescribed by the Company's Code of Business Conduct and Ethics and the CBCA.

Internal Controls

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

Information Systems and Cyber Security

The Company's operations depend on information technology ("IT") systems. These IT systems could be subject to network disruptions caused by a variety of sources, including computer viruses, security breaches and cyber-attacks, as well as disruptions resulting from incidents such as cable cuts, damage to physical plants, natural disasters, terrorism, fire, power loss, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of

information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

Although to date the Company has not experienced any material losses relating to cyber attacks or other information security breaches, there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Competition

There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential, as well as the necessary labour and supplies required to develop such properties. The Company competes with other exploration and mining companies, many of which have greater financial resources, operational experience and technical capabilities than the Company, for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel. The Company may not be able to maintain or acquire attractive mining properties on terms it considers acceptable, or at all. Consequently, its financial condition could be materially adversely affected.

Uninsurable Risks

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences, as well as political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Company. The Company does not maintain insurance against political risks.

Infrastructure

Development and exploration activities depend on adequate infrastructure. Reliable roads, bridges, power and water supplies are important determinants that affect costs. The Company's ability to obtain a secure supply of power and water at a reasonable cost depends on many factors, including: global and regional supply and demand; political and economic conditions; problems that can affect local supplies; delivery; and relevant regulatory regimes. Power and water are currently in short supply throughout Northern Chile and this may adversely affect the ability of the Company to explore and develop its Chilean projects. Unusual or infrequent weather phenomena, sabotage or government, and other interference in the maintenance or provision of such infrastructure could adversely affect the activities and profitability of the Company.

Establishing such infrastructure will require significant resources, identification of adequate sources of raw materials and supplies and necessary cooperation from national and regional governments, none of which can be assured. There is no guarantee that the Company will secure these power, water and access rights going forward or on reasonable terms.

Tax

The Company runs its business in different countries and strives to run its business in as tax efficient a manner as possible. The tax systems in certain of these countries are complicated and subject to changes. For this reason,

future negative effects on the result of the Company due to changes in tax regulations cannot be excluded. Repatriation of earnings to Canada from other countries may be subject to withholding taxes. The Company has no control over withholding tax rates.

Dependence on Key Personnel

The Company's success will largely depend on the efforts and abilities of certain senior officers and key employees. Certain of these individuals have significant experience in the mining industry and, in particular the mining industry in South America. While the Company does not foresee any reason why such officers and key employees will not remain with the Company, if for any reason they do not, the Company could be adversely affected. In addition, certain of these individuals are also senior officers and key employees of NGEx and, pursuant to the terms of a services agreement between the Company and NGEx dated August 16, 2016 (the "Services Agreement"), the employment costs associated with these individuals are shared between the Company and NGEx on a pro-rata basis. If such officers and key employees do not remain employed with NGEx for the purposes of the cost-sharing basis under the Services Agreement, the Company could be adversely affected. The Company has not purchased key man life insurance for any of these individuals.

QUALIFIED PERSON

The scientific and technical disclosure for the Filo del Sol Project included in this MD&A have been reviewed and approved by Bob Carmichael, P. Eng. (BC) and/or James Beck, B.A.Sc., P.Eng. Mr. Carmichael is Filo Mining's Vice-President of Exploration and a Qualified Person under National Instrument 43-101 Standards of Disclosure for Mineral Projects. ("NI 43-101"). Mr. Beck is Filo Mining's Vice-President of Corporate Development and Projects and is also a Qualified Person under NI 43-101.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements made and information contained herein in the MD&A constitutes "forward-looking information" and forward-looking statements" within the meaning of applicable securities legislation (collectively, "forward-looking information" or "forward-looking statements") concerning the business, operations, financial performance and condition of Filo Mining. The forward-looking information contained in this MD&A is based on information available to the Company as of the date of this MD&A. Except as required under applicable securities legislation, the Company does not intend, and does not assume any obligation, to update this forward-looking information. Generally, any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance, (often, but not always, identified by words or phrases such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "projects", "estimates", "budgets", "scheduled", "forecasts", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events, conditions or results "will", "may", "could", "would", "should", "might" or "will be taken", "will occur" or "will be achieved" or the negative connotations thereof and similar expressions) are not statements of historical fact and may be forward-looking statements.

All statements other than statements of historical fact may be forward-looking statements. Forward-looking information is necessarily based on estimates and assumptions that are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to: risks and uncertainties relating to, among other things, the inherent uncertainties regarding mineral resource estimates, cost estimates, changes in commodity prices, currency fluctuation, financings, unanticipated resource grades, infrastructure, results of exploration activities, cost overruns, availability of materials and equipment, timeliness of government approvals, taxation, political risk and related economic risk and unanticipated environmental impact on operations as well as other risks, and uncertainties and other factors, including, without limitation, those

referred to in the "Risks and Uncertainties" section of the MD&A and in the Company's most recent Annual Information Form, under the heading "Risks Factors", and elsewhere, which may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information.

The Company believes that the expectations reflected in the forward-looking statements and information included in this MD&A are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements and information should not be unduly relied upon. This statement and information is as of the date of the MD&A. In particular, this MD&A contains forward-looking statements or information pertaining to the assumptions used in the PFS for the Filo del Sol project, the assumptions used in the mineral reserves and resources estimates for the Filo del Sol project, including, but not limited to, geological interpretation, grades, metal price assumptions, metallurgical and mining recovery rates, geotechnical and hydrogeological conditions, as applicable; ability to develop infrastructure; assumptions made in the interpretation of drill results, geology, grade and continuity of mineral deposits; expectations regarding access and demand for equipment, skilled labour and services needed for exploration and development of mineral properties; and that activities will not be adversely disrupted or impeded by exploration, development, operating, regulatory, political, community, economic and/or environmental risks. In addition, this MD&A contains forward-looking statements or information pertaining to the undertaking and timing of a Feasibility Study or a feasibility-level study; potential results of further metallurgical testwork, ability to secure additional financing and/or the quantum and terms thereof; exploration and development plans and expenditures; the timing and nature of studies and any potential development scenarios; opportunities to improve project economics; the success of future exploration activities; potential for resource expansion; potential for the discovery of new mineral deposits; ability to build shareholder value; expectations with regard to adding to mineral reserves or resources through exploration; expectations with respect to the conversion of inferred resources to an indicated resources classification; ability to execute the Planned Work programs; estimation of commodity prices, mineral reserves and resources, costs, and permitting time lines; ability to obtain surface rights and property interests; currency exchange rate fluctuations; requirements for additional capital; government regulation of mining activities; environmental risks; unanticipated reclamation expenses; title disputes or claims; limitations on insurance coverage; and other risks and uncertainties.

Forward-looking information is based on certain assumptions that the Company believes are reasonable, including that the current price of and demand for commodities will be sustained or will improve, the supply of commodities will remain stable, that the general business and economic conditions will not change in a material adverse manner, that financing will be available if and when needed on reasonable terms and that the Company will not experience any material labour dispute, accident, or failure of plant or equipment. These factors are not, and should not be construed as being, exhaustive. Although the Company has attempted to identify important factors that would cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated, or intended. There can be no assurance that such statements will prove to be accurate, as the Company's actual results and future events could differ materially from those anticipated in such statements, as a result of the factors discussed in the "Risk and Uncertainties" section of this MD&A, and elsewhere, and in the "Risk Factors" section of the Company's most recent Annual Information Form, which is available under the Company's profile on SEDAR at www.sedar.com. All of the forward-looking information contained in this document is qualified by these cautionary statements. Readers are cautioned not to place undue reliance on forward-looking information due to the inherent uncertainty thereof.

Statements relating to "mineral resources" are deemed to be forward looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the mineral resources described can be profitably produced in the future.



Independent auditor's report

To the Shareholders of Filo Mining Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Filo Mining Corp. 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 (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 comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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 Craig McMillan.

“(signed) PricewaterhouseCoopers LLP”

Chartered Professional Accountants

Vancouver, British Columbia
March 19, 2019

Filo Mining Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	<i>Note</i>	December 31, 2018	December 31, 2017
ASSETS			
Current assets:			
Cash		\$ 2,405,109	\$ 2,417,407
Receivables and other assets	6	2,414,486	1,296,353
		4,819,595	3,713,760
Mineral properties	7	7,118,233	6,479,344
TOTAL ASSETS		11,937,828	10,193,104
LIABILITIES			
Current liabilities:			
Trade payables and accrued liabilities		3,218,576	2,252,172
Amounts owing pursuant to credit facility	8	2,202,548	-
TOTAL LIABILITIES		5,421,124	2,252,172
SHAREHOLDERS' EQUITY			
Share capital	9	84,350,227	59,481,338
Contributed surplus		5,554,793	2,877,642
Deficit		(83,244,040)	(54,352,813)
Accumulated other comprehensive loss		(144,276)	(65,235)
TOTAL SHAREHOLDERS' EQUITY		6,516,704	7,940,932
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 11,937,828	\$ 10,193,104

Commitments (Note 17)
Subsequent Events (Note 8)

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

On behalf of the Board:

/s/Alessandro Bitelli
Director

/s/Wojtek A. Wodzicki
Director

Filo Mining Corp.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

			Year ended December 31, 2017
	<i>Note</i>	2018	
Expenses			
Exploration and project investigation	<i>11</i>	\$ 24,117,885	\$ 15,019,239
General and administration:			
Salaries and benefits		1,664,034	1,101,723
Share-based compensation	<i>10c</i>	2,115,183	1,659,287
Management fees		226,225	153,600
Professional fees		132,109	167,763
Travel		143,392	182,927
Promotion and public relations		439,272	163,499
Office and general		237,942	261,226
Operating loss		29,076,042	18,709,264
Other expenses			
Gain on disposal of mineral properties	<i>12c</i>	(422,635)	-
Credit facility financing costs	<i>8</i>	53,719	-
Foreign exchange loss (gain)		223,265	(14,146)
Net monetary gain	<i>4</i>	(39,164)	-
Net loss		28,891,227	18,695,118
Other comprehensive loss (gain)			
Items that may be reclassified subsequently to net loss:			
Foreign currency translation adjustment		473,961	189,201
Impact of hyperinflation	<i>4</i>	(394,920)	-
Comprehensive loss		\$ 28,970,268	\$ 18,884,319
Basic and diluted loss per common share		\$ 0.41	\$ 0.30
Weighted average common shares outstanding		70,834,466	61,891,059

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

Filo Mining Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

			Year ended December 31, 2017
	<i>Note</i>	2018	
Cash flows used in operating activities			
Net loss for the year		\$ (28,891,227)	\$ (18,695,118)
Items not involving cash:			
Share-based compensation	<i>10c</i>	2,720,921	2,111,107
Gain on disposal of mineral properties	<i>12c</i>	(422,635)	-
Credit facility financing costs	<i>8</i>	53,719	-
Net monetary loss		63,158	-
Unrealized foreign exchange loss		53,522	-
Net changes in working capital items:			
Receivables and other		(1,766,718)	(850,040)
Trade payables and accrued liabilities		2,263,185	235,416
		(25,926,075)	(17,198,635)
Cash flows from financing activities			
Proceeds from the Financings, net	<i>9</i>	24,384,864	-
Drawdown from credit facility, net		2,127,288	-
Proceeds from exercise of share options		408,275	969,875
		26,920,427	969,875
Cash flows used in investing activities			
Proceeds from disposal of mineral properties	<i>12c</i>	64,919	-
Mineral properties and related expenditures	<i>7</i>	(528,895)	(398,012)
		(463,976)	(398,012)
Effect of exchange rate change on cash		(542,674)	(420,650)
Decrease in cash during the year		(12,298)	(17,047,422)
Cash, beginning of year		\$ 2,417,407	\$ 19,464,829
Cash, end of year		\$ 2,405,109	\$ 2,417,407

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

Filo Mining Corp.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	<i>Note</i>	Number of Shares	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, January 1, 2017		61,388,450	\$ 58,511,463	\$ 766,535	\$ (35,657,695)	\$ 123,966	\$ 23,744,269
Share-based compensation		-	-	2,111,107	-	-	2,111,107
Exercise of options		880,000	969,875	-	-	-	969,875
Net loss and other comprehensive loss		-	-	-	(18,695,118)	(189,201)	(18,884,319)
Balance, December 31, 2017		62,268,450	\$ 59,481,338	\$ 2,877,642	\$(54,352,813)	\$ (65,235)	\$ 7,940,932
Balance, January 1, 2018		62,268,450	\$ 59,481,338	\$ 2,877,642	\$ (54,352,813)	\$ (65,235)	\$ 7,940,932
Share-based compensation	<i>10c</i>	-	-	2,720,921	-	-	2,720,921
Shares issued pursuant to the Financings	<i>9</i>	9,823,195	25,540,307	-	-	-	25,540,307
Share issuance costs		-	(1,155,443)	-	-	-	(1,155,443)
Shares issued pursuant to credit facility		12,300	31,980	-	-	-	31,980
Exercise of options		471,250	452,045	(43,770)	-	-	408,275
Net loss and other comprehensive income		-	-	-	(28,891,227)	(79,041)	(28,970,268)
Balance, December 31, 2018		72,575,195	\$ 84,350,227	\$ 5,554,793	\$(83,244,040)	\$ (144,276)	\$ 6,516,704

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

Filo Mining Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars, unless otherwise stated)

1. NATURE OF OPERATIONS AND LIQUIDITY

Filo Mining Corp. (the "Company" or "Filo Mining") was incorporated on May 12, 2016 under the Canada Business Corporations Act in connection the plan of arrangement to reorganize NGEx Resources Inc. ("NGEx"), which was completed on August 16, 2016.

The Company's principal business activities are the exploration and development of the Filo del Sol and Tamberias Properties, which are comprised of adjacent mineral titles in the San Juan Province in Argentina and in Chile. Its registered office is located at Suite 2200, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8, Canada. The Company's common shares trade on the TSX Venture Exchange (the "TSXV") and the NASDAQ First North Exchange under the symbol "FIL".

While the consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that it will be able to meet its existing obligations and commitments and fund ongoing operations in the normal course of business for at least twelve months from December 31, 2018, the Company anticipates the need for further funding to support a planned field program at its South American operations and general corporate purposes. The Company is currently evaluating potential additional sources of financing for its exploration program and operations. Historically, capital requirements have been primarily funded through equity financing, joint ventures, disposition of mineral properties and investments, and the use of short-term credit facilities. While management is confident that additional sources of funding will be secured to fund planned expenditures for at least twelve months from December 31, 2018, factors that could affect the availability of financing include the progress and results of ongoing exploration at the Company's mineral properties, the state of international debt and equity markets, and investor perceptions and expectations of the global copper, gold, and/or silver markets. There can be no assurance that such financing will be available in the amount required at any time or for any period or, if available, that it can be obtained on terms satisfactory to the Company. Based on the amount of funding raised, the Company's planned exploration or other work programs may be postponed, or otherwise revised, as necessary.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business. These consolidated financial statements are prepared on a historical cost basis except for certain financial assets, which are measured at fair value.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on March 19, 2019.

Filo Mining Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars, unless otherwise stated)

3. ADOPTION OF NEW ACCOUNTING POLICY: FINANCIAL INSTRUMENTS

On January 1, 2018, the Company adopted IFRS 9, *Financial Instruments*, which sets out the accounting standards for the classification and measurement of financial instruments. IFRS 9 became effective for annual periods beginning on or after January 1, 2018, and replaces IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard provides a model for the classification and measurement of financial instruments, a single forward-looking "expected loss" impairment model, and a reformed approach for hedge accounting. As most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward into IFRS 9, the Company's accounting policy with respect to financial liabilities is unchanged.

The Company has determined that the adoption of this standard has resulted in no material impact to its consolidated financial statements.

a) Classification and measurement

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	Measurement basis	Classification under IAS 39	Classification under IFRS 9
Cash	Note 1	Amortized cost	Amortized cost
Receivables and others	Note 1	Amortized cost	Amortized cost
Trade payables and accrued liabilities	Note 1	Amortized cost	Amortized cost
Amounts owing pursuant to credit facility	Note 1	Amortized cost	Amortized cost

Note 1 – Financial assets and liabilities at amortized costs are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

b) De-recognition

The Company derecognizes financial assets when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risk and rewards of ownership to another entity. A financial liability is derecognized when the obligation under the liability is discharged, canceled or expired. Gains and losses on de-recognition of financial assets and liabilities are generally recognized in the consolidated statements of net losses.

c) Impairment

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized costs based on a probability-weighted estimate of credit losses over the expected life of the financial asset.

Filo Mining Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars, unless otherwise stated)

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk on the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the expected credit losses are reversed after the impairment was recognized.

4. ADOPTION OF NEW ACCOUNTING POLICY: HYPERINFLATION

Due to various qualitative factors and developments with respect to the economic environment in Argentina during the year ended December 31, 2018, including, but not limited to, the acceleration of multiple local inflation indices, the three-year cumulative inflation rate of the local Argentine wholesale price index exceeding 100% in May 2018 and the significant devaluation of the Argentine Peso, Argentina has been designated a hyper-inflationary economy as of July 1, 2018 for accounting purposes.

Accordingly, IAS 29, *Financial Reporting in Hyper-Inflationary Economies*, has been adopted and applied to these consolidated financial statements as the Company's Argentine operating subsidiary, Filo del Sol Exploracion S.A. ("FDS") uses the Argentine Peso as its functional currency. The Company also followed the interpretive guidance for first time adoption of IAS 29 included within IFRIC 7. The consolidated financial statements are based on the historical cost approach in IAS 29.

The application of hyperinflation accounting requires restatement of the Argentine subsidiaries' non-monetary assets and liabilities, shareholders' equity and comprehensive loss items from the transaction date when they were first recognized into the current purchasing power which reflects a price index current at the end of the reporting period before being included in the consolidated financial statements. To measure the impact of inflation on its financial position and results, the Company has elected to use the Wholesale Price Index (*Indice de Precios Mayoristas* or "*IPIM*") for periods up to December 31, 2016, and the Retail Price Index (*Indice de Precios al Consumidor* or "*IPC*") thereafter. These price indices have been recommended by the Government Board of the Argentine Federation of Professional Councils of Economic Sciences ("FACPCE").

As the consolidated financial statements of the Company have been previously presented in Canadian dollars, a stable currency, the comparative period amounts do not require restatement.

For the period from July 1, 2018 to December 31, 2018 (the "Period"), the Company recognized a gain of approximately \$395,000 in relation to the impact of hyperinflation within other comprehensive income. This amount is primarily the result of hyperinflation adjustments recognized on non-monetary assets held by FDS as of July 1, 2018, which have been restated from the historic date when they were first recognized to July 1, 2018 (the "Opening Hyperinflation Adjustment"), and then to the current date, December 31, 2018. On initial application of IAS 29, there is an accounting policy choice to recognize the Opening Hyperinflation Adjustment directly to opening equity or to other comprehensive income. The Company has elected to recognize this amount to other comprehensive income and it is included in the figure noted above. Due to continuing hyperinflationary adjustments subsequent to July 1, 2018, this amount has been largely offset by the continued devaluation of the Argentine Peso during the Period.

Filo Mining Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars, unless otherwise stated)

As a result of the change in the IPC during the Period, the Company recognized a net monetary gain within FDS of approximately \$39,000, to adjust transactions recorded during the Period into a measuring unit current as of December 31, 2018.

The level of the IPC at December 31, 2018 was 184.2, which represents an increase of 27% over the IPC at July 1, 2018, and an approximate 10% increase over the average level of the IPC during the Period.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Consolidation

The consolidated financial statements of the Company include the following subsidiaries:

<u>Subsidiaries</u>	<u>Jurisdiction</u>	<u>Nature of operations</u>
NGEx Filo del Sol Holdings Inc.	Canada	Holding company
NGEx Chile Holdings Inc.	Canada	Holding company
Filo del Sol Uruguay S.A.	Uruguay	Holding company
Frontera Holdings (Bermuda) IV Ltd.	Bermuda	Holding company
Frontera Holdings (Bermuda) V Ltd.	Bermuda	Holding company
Filo del Sol Exploracion S.A.	Argentina	Exploration company
Frontera Chile Limitada	Chile	Exploration company

The Company consolidates an entity when it has power over that entity, is exposed, or has rights, to variable returns from its involvement with that entity and has the ability to affect those returns through its power over that entity.

All the Company's subsidiaries are wholly-owned and all intercompany balances, transactions, including income and expenses arising from inter-company transactions are eliminated in preparing the consolidated financial statements.

b) Critical accounting estimates and assumptions

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and expenditures on the financial statements. These estimates and assumptions are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience. Actual results could differ from those estimates and such differences could be material. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. Information about estimates and assumptions that could have the most significant effect on the recognition and measurement of assets is provided below.

Valuation of mineral properties – The Company carries the acquisition costs of its mineral properties at cost less any provision for impairment. The Company undertakes periodic reviews of the carrying values of mineral properties and whenever events or changes in circumstances indicate that their carrying values may exceed their fair value. In undertaking these reviews, management of the Company is required to make significant estimates. These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the mineral properties and related expenditures.

Filo Mining Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars, unless otherwise stated)

Hyper-inflationary accounting – Beginning July 1, 2018, the Company has designated Argentina as a hyper-inflationary economy in accordance with IAS 29, *Financial Reporting in Hyper-inflationary Economies*, and has therefore employed the use of the hyper-inflationary accounting to consolidate and report its Argentine operating subsidiary. The determination of whether an economy is hyper-inflationary requires the Company to make certain estimates and judgements, such as assessment of historic inflation rates and anticipation of future trends. In addition, the application of hyper-inflationary accounting in accordance with IAS 29 requires the selection and use of price indices to estimate the impact of inflation on the non-monetary assets and liabilities, and results of operations of the Company. The selection of price indices is based on the Company's assessment of various available price indices on the basis of reliability and relevance. Changes in any such estimates may significantly impact the carrying value of those non-monetary assets or liabilities, and results of operations, which are subject to hyper-inflationary adjustments, and the related gains and losses within the consolidated statements of loss and comprehensive loss.

c) Foreign currency translation

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. The functional currency of its material subsidiaries, which have operations in Chile and Argentina, is the Chilean peso and the Argentine peso, respectively.

For the Company's Argentine subsidiary, which is affected by hyper-inflationary accounting as described in Note 4 above, and uses the Argentine peso as its functional currency, the results and financial position of this subsidiary are translated into the presentation currency using the exchange rate prevailing at the date of the statement of financial position.

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

- Assets and liabilities for each statement of financial position presented are translated using the exchange rate prevailing at the date of that statement of financial position.
- Income, expenses, and other comprehensive income for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).
- All resulting exchange differences are recognized as a separate component of equity and in other comprehensive income.

d) Mineral properties and exploration expenditure

The Company capitalizes acquisition costs for property rights, including payments for exploration rights and estimated fair value of exploration properties acquired as part of a business acquisition. Mineral exploration costs and maintenance payments are expensed prior to the determination that a property has economically recoverable ore reserves. When it has been established that a mineral property is considered to be sufficiently advanced to the development stage and economic viability has been demonstrated, all further expenditures for the current year and subsequent years are capitalized as incurred and subsequently amortized on a units of production based on proven and probable reserves of the assets to which they relate.

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e) Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units, or "CGU's"). Value in use is determined as the present value of future cash inflows expected to be derived from a CGU using a pre-tax discount rate that reflects the current time value of money and the risks specific to that CGU.

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

f) Financial instruments

On January 1, 2018, the Company adopted IFRS 9, *Financial Instruments*, which sets out the accounting standards for the classification and measurement of financial instruments, and replaces IAS 39, *Financial Instruments: Recognition and Measurement*, as described in Note 3 above.

g) Cash

Cash includes cash on hand, deposits held at call with financial institutions, net of bank overdrafts.

h) Current and deferred income tax

The Company follows the liability method of accounting for income taxes. Under the liability method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, unused tax losses and other income tax deductions. Deferred income tax assets are recognized for deductible temporary differences, unused tax losses and other income tax deductions to the extent that it is probable the Company will have taxable income against which those deductible temporary differences, unused tax losses and other income tax deductions can be utilized.

Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the related assets are realized or the liabilities are settled. The measurement of deferred income tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover and settle the carrying amounts of its assets and liabilities, respectively. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the period in which the change is substantively enacted.

i) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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j) Share-based compensation

The Company has a share-based compensation plan, whereby it is authorized to grant share options to officers, employees, directors, and other eligible persons. The fair value of the options is measured at the date the options are granted, using the Black-Scholes option-pricing model with assumptions for risk-free interest rates, dividend yields, volatility of the expected market price of the common shares and an expected life of the options. The fair value less estimated forfeitures is charged over the vesting period of the related options as an expense on its financial statements.

k) Provisions

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

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

l) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

m) Segment reporting

As the Company primarily focuses its activity on the exploration and development of mineral properties, its operating and reportable segments are the Filo del Sol Property, the Tamberias Property, other general exploration and project generation initiatives, and the Company's corporate administration function. Operating segments are components of an entity that engage in business activities from which they incur expenses and whose operating results are regularly reviewed by a chief operating decision maker to make resource allocation decisions and to assess performance. The Chief Executive Officer, the chief operating decision-maker for the Company, obtains and reviews operating results of each operating segment on a monthly basis.

n) Hyperinflation

On July 1, 2018, the Company adopted IAS 29, *Financial Reporting in Hyper-Inflationary Economies*, which outlines the use of the hyper-inflationary accounting to consolidate and report its Argentine operating subsidiary, Filo del Sol Exploracion S.A., as described in Note 4 above.

o) New accounting pronouncements

The IASB and the IFRS Interpretations Committee (previously the International Financial Reporting Interpretations Committee, IFRIC) have issued a number of new and revised International Accounting Standards, IFRS amendments and related interpretations which are effective for the Company for periods after December 31, 2018, beginning on the dates indicated below. Pronouncements that are not applicable to the Company have been excluded from those described below.

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Pronouncement	Effective Date
IFRS 16, <i>Leases</i> , specifies how leases should be recognized, measured, presented and disclosed. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	Required to be applied for years beginning on or after January 1, 2019.
The Company does not expect the adoption of this new standard to have a material impact on the financial position and results of the Company, as the Company does not currently have any material leases.	

6. RECEIVABLES AND OTHER ASSETS

	Year ended	
	2018	December 31, 2017
Taxes receivable	660,881	92,255
Other receivables	1,064,246	384,860
Prepaid expenses and deposits	689,359	819,238
	2,414,486	1,296,353

7. MINERAL PROPERTIES

	Filo del Sol	Tamberias	Total
January 1, 2017	\$ 3,246,560	\$ 2,844,751	\$ 6,091,311
Additions	-	398,012	398,012
Effect of foreign currency translation	(68,716)	58,737	(9,979)
December 31, 2017	\$ 3,177,844	\$ 3,301,500	\$ 6,479,344
Additions	-	528,895	528,895
Adjustment for the impacts of hyperinflation	357,961	-	357,961
Effect of foreign currency translation	(84,823)	(163,144)	(247,967)
December 31, 2018	\$ 3,450,982	\$ 3,667,251	\$ 7,118,233

The Company's primary mineral property assets are the Filo del Sol and Tamberias Properties (together, the "Filo del Sol Project"), which are comprised of adjacent mineral titles in the San Juan Province in Argentina and in Chile, and are 100% controlled by Filo Mining either through direct ownership or option agreements.

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Filo del Sol Property (San Juan Province, Argentina)

Sole ownership of the Filo del Sol Property was acquired by Filo del Sol Exploracion S.A., a wholly owned subsidiary of the Company, in October 2014, through the acquisition of its then joint exploration partner's 40% interest in the property.

Tamberias Property (Region III, Chile)

Through its wholly owned subsidiary, Frontera Chile Limitada, the Company is party to an option agreement with Compania Minera Tamberias SCM ("Tamberias SCM") whereby the Company can earn a 100% interest in the Tamberias Property by making option payments totaling US\$20 million on or before June 30, 2023. In addition, Tamberias SCM will retain a 1.5% net smelter royalty, which will be paid only after the Company has recovered all of its exploration and development costs.

In June 2018, the Company made a US\$400,000 option payment to Tamberias SCM, which has been recorded as an addition to the Tamberias Property. The Company's total remaining option payments as at December 31, 2018 were US\$16.8 million, with the next option payment being US\$500,000, payable in June 2019.

8. CREDIT FACILITIES

On January 12, 2018, the Company obtained an unsecured US\$ 2.0 million short-term credit facility (the "Initial Facility") from Zebra Holdings and Investments S.à.r.l ("Zebra"), an insider of the Company, to provide additional financial flexibility to fund ongoing exploration at the Filo del Sol Project and for general corporate purposes. Zebra reports its security holdings in the Company as a joint actor with Lorito Holdings S.à.r.l., and at the time of entering into the Initial Facility they collectively held more than 20% of the Company's issued and outstanding common shares. As consideration for the Initial Facility, Zebra received 6,000 common shares of the Company upon execution of the Initial Facility, and may receive an additional 300 common shares each month, for every US\$ 50,000 in principal outstanding on the Initial Facility, prorated accordingly for the number of days outstanding.

As at December 31, 2018, US\$ 1.6 million had been drawn and remained outstanding against the Initial Facility, and 20,661 common shares had been issued, or were issuable, to Zebra as consideration for providing the Initial Facility. According to the terms of the Initial Facility, the common shares issued pursuant thereto had a price of \$2.60 per share, being the closing price of the common shares on the TSX Venture exchange on January 12, 2018, which resulted in \$53,719 in financing costs recognized through the consolidated statement of loss.

On January 12, 2019, simultaneously with the maturing of the Initial Facility, the Company obtained an unsecured US\$ 5.0 million credit facility (the "Replacement Facility") from Zebra, which replaced the Initial Facility, and into which any outstanding balance owed by the Company under the Initial Facility was transferred. In addition, on February 28, 2019, the Company obtained an additional unsecured US\$ 5.0 million short-term credit facility (the "Additional Facility") from Zebra. Through the Replacement Facility and Additional Facility, the Company now has access to US\$ 10.0 million, which will be used, as necessary, to fund ongoing exploration at the Filo del Sol Project and for general corporate purposes. The maturity dates of the Replacement Facility and the Additional Facility are July 12, 2020, and February 28, 2020, respectively, with no interest payable in cash during their respective terms.

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As consideration, the Replacement Facility and Additional Facility each grant Zebra the right to receive 300 common shares each month, for every US\$ 50,000 in principal outstanding under the respective facilities, prorated accordingly for the number of days outstanding. In addition, upon execution of the Additional Facility, Zebra received 6,000 common shares of the Company.

All common shares issued in conjunction with the Initial Facility are subject to a four-month hold period under applicable securities laws.

9. SHARE CAPITAL

The Company has authorized an unlimited number of voting common shares without par value.

On February 28, 2018, the Company closed a bought deal offering of common shares and a concurrent non-brokered private placement of common shares (the "Financings"). In aggregate, 9,823,195 common shares of the Company were sold at a price of \$2.60 per common share (the "Price"), generating aggregate gross proceeds of \$25.5 million. Approximately \$15.3 million of the gross proceeds relate to the bought deal, and were subject to a 5.0% commission, payable in cash.

10. SHARE OPTIONS

a) Share option plan

The Company has a share option plan approved on July 8, 2016 (the "Plan"), reserving an aggregate of 10% of the issued and outstanding shares of the Company for issuance upon the exercise of options granted. The granting, vesting and terms of the share options are at the discretion of the Board of Directors.

b) Share option outstanding

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Number of share issuable pursuant to share options	Weighted average exercise price per share
Balance at January 1, 2017	3,916,250	\$ 1.55
Options granted	1,582,500	2.50
Exercised	(880,000)	1.10
Balance at December 31, 2017	4,618,750	\$ 1.96
Options granted	2,500,000	2.20
Exercised	(471,250)	0.87
Balance at December 31, 2018	6,647,500	\$ 2.13

On August 14, 2018, the Company granted a total of 2,500,000 share options to officers, employees, directors and other eligible persons at an exercise price of \$2.20 per share.

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The Company uses the Black-Scholes option pricing model to estimate the fair value for all options granted and the resulting stock-based compensation. The weighted average assumptions used in this pricing model, and the resulting fair values per option, for the 2,500,000 share options granted during the year ended December 31, 2018, were as follows:

(i)	Risk-free interest rate:	2.16%
(ii)	Expected life:	5 years
(iii)	Expected volatility:	63.03%
(iv)	Expected dividends:	nil
(v)	Fair value per option:	\$1.12

The weighted average share price on the exercise date for the share options exercised during the year ended December 31, 2018 was \$2.28.

The following table details the share options outstanding and exercisable as at December 31, 2018:

Exercise prices	Outstanding options			Exercisable options		
	Options outstanding	Weighted average remaining contractual life (Years)	Weighted average exercise price	Options exercisable	Weighted average remaining contractual life (Years)	Weighted average exercise price
\$0.50-0.56	280,000	0.15	\$0.50	280,000	0.15	\$0.50
\$2.00	2,285,000	2.93	\$2.00	2,285,000	2.93	\$2.00
\$2.20	2,500,000	4.62	\$2.20	833,333	4.62	\$2.20
\$2.50	1,582,500	3.70	\$2.50	1,055,000	3.70	\$2.50
	<u>6,647,500</u>	3.63	\$2.13	<u>4,453,333</u>	3.26	\$2.06

c) Share-based compensation

	Year ended December 31,	
	2018	2017
Exploration and project investigation	605,738	451,820
General and administration	2,115,183	1,659,287
	<u>2,720,921</u>	<u>2,111,107</u>

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11. EXPLORATION AND PROJECT INVESTIGATION

The Company expensed the following exploration and project investigation costs, all incurred in South America, for the years ended December 31, 2018 and 2017:

Year ended December 31,		Filo del Sol Project	Other	Total
2018	Land holding and access costs	555,168	25,603	580,771
	Drilling, fuel, camp costs and field supplies	9,180,627	-	9,180,627
	Roadwork, travel and transport	3,495,147	181	3,495,328
	Engineering and conceptual studies	1,509,830	-	1,509,830
	Consultants, geochemistry and geophysics	2,036,903	-	2,036,903
	Environmental and community relations	1,568,081	-	1,568,081
	VAT and other taxes	2,182,251	87,997	2,270,248
	Office, field and administrative salaries, overhead and other administrative costs	2,859,661	10,698	2,870,359
	Share-based compensation	602,531	3,207	605,738
	Total	23,990,199	127,686	24,117,885
2017	Land holding and access costs	535,572	28,170	563,742
	Drilling, fuel, camp costs and field supplies	4,831,120	23,679	4,854,799
	Roadwork, travel and transport	2,640,804	52,668	2,693,472
	Engineering and conceptual studies	515,890	-	515,890
	Consultants, geochemistry and geophysics	900,911	19,325	920,236
	Environmental and community relations	433,640	3,828	437,468
	VAT and other taxes	1,979,875	74,945	2,054,820
	Office, field and administrative salaries, overhead and other administrative costs	2,217,308	309,684	2,526,992
	Share-based compensation	436,041	15,779	451,820
	Total	14,491,161	528,078	15,019,239

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12. RELATED PARTY TRANSACTIONS

a) Related party services

The Company has a cost sharing arrangement with NGEx, a related party by way of directors, officers and shareholders in common. Under the terms of this arrangement, the Company provides executive management, technical exploration and exploration support services to NGEx, and NGEx provides financial management and administrative services to the Company. In addition, the Company engages Bofill Mir & Alvarez Jana Abogados Ltda. ("BMJAL"), a Chilean legal firm, of which a director of the Company is a partner. These transactions were incurred in the normal course of operations, and are summarized as follows:

	Year ended December 31,	
	2018	2017
Executive management, technical exploration and exploration support services to NGEx	735,822	1,296,287
Financial management and administrative services from NGEx	(555,443)	(142,815)
Legal services from BMJAL	86,240	67,965

b) Related party balances

The amounts due from (to) related parties, and the components of the consolidated statement of financial position in which they are included, are as follows:

	Related Party	December 31, 2018	December 31, 2017
Receivables and other assets	NGEx	523,244	366,435
Accounts payable and accrued liabilities	NGEx	(77,492)	(93,617)
Accounts payable and accrued liabilities	BMJAL	(15,463)	(23,135)

c) Disposal of mineral properties

On February 21, 2018, the Company, through its wholly-owned subsidiary, closed a transaction with two wholly-owned subsidiaries of NGEx whereby the Company transferred its 100% interest in certain non-core mining concessions (the "Primary Properties") to NGEx and granted NGEx an option to acquire a 100% interest in additional non-core mining concessions (the "Additional Properties") located in San Juan Province, Argentina (the "Disposal Transaction") in exchange for the following consideration:

- the Company's right to use NGEx's Batidero camp facility in Argentina for a minimum period of two years, which shall be automatically renewed unless terminated by NGEx with one year's advance notice (the "Camp Use Agreement");
- a 3% net smelter return ("NSR") royalty payable on future production of certain mining concessions transferred to NGEx, 2% of which can be re-purchased by NGEx at any time for \$2,000,000; and

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- cash consideration totalling approximately \$65,000, comprised of US\$20,000 and \$39,000.

As a transaction with significant non-monetary components, for which fair values could not be derived from observable market transactions or information, the fair value of the Disposal Transaction was determined based upon the estimated fair value of the consideration received by the Company. The total fair value of the consideration received by the Company pursuant to the Disposal Transaction is estimated to be approximately \$423,000, of which \$358,000 is attributable to the Camp Use Agreement, and approximately \$65,000 is attributable to the total cash consideration received. Accordingly, as the Primary Properties and Additional Properties had no carrying value in the consolidated financial statements of the Company prior to the disposal, a gain of \$423,000 has been recognized for the year ended December 31, 2018.

d) Key management compensation

The Company's key management personnel have the authority and responsibility for overseeing, planning, directing and controlling its activities and consist of the Board of Directors and members of the executive management team. Total compensation expense for key management personnel, and the composition thereof, is as follows:

	Year ended December 31,	
	2018	2017
Salaries	1,087,500	1,341,539
Short-term employee benefits	45,477	35,617
Directors fees	97,000	86,583
Stock-based compensation	1,981,235	1,548,394
Incentive bonuses	470,000	207,000
	3,681,212	3,219,133

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13. INCOME TAXES

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to the loss for the year. These differences result from the following items:

	Year ended December 31, 2018	Year ended December 31, 2017
Loss before taxes	28,891,227	18,695,118
Combined Canadian federal and provincial statutory income tax rates	<u>27.00%</u>	<u>26.00%</u>
Income tax recovery based on the above rate	7,800,631	4,860,731
Income tax benefits that have not been recognized and other items	(3,374,226)	(5,302,460)
Impacts of changes in income tax rates	(4,100,813)	20,903
Differences between Canadian and foreign tax rates	396,446	977,066
Non-deductible expenses	(722,038)	(556,240)
Total income tax recovery	-	-

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset has been recognized consist of the following:

	December 31, 2018	December 31, 2017
Non-capital losses carried forward	2,863,581	1,311,529
Mineral properties and related expenditures	7,276,341	6,353,264
Other	306,954	82,880
	10,446,876	7,747,673

As at December 31, 2018, the non-capital loss carry-forwards and their respective expiration dates are as follows:

Year	Canada	Argentina	Other	Total
2019	-	339	5,879	6,218
2020	-	133	14,420	14,553
2021	-	234,060	5,101	239,161
2022	-	225,373	26,903	252,276
Subsequent to 2023	10,108,556	12,931	11,943	10,133,430
	10,108,556	472,836	64,246	10,645,638

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14. SEGMENTED INFORMATION

The Company is principally engaged in the acquisition, exploration and development of mineral properties in South America. The information regarding mineral properties and exploration and project investigation costs presented in Notes 7 and 11, respectively, represent the manner in which management reviews its business performance. Materially all of the Company's mineral properties and exploration and project investigation costs relate to the Filo del Sol Project, which straddles the border between the San Juan Province, Argentina and Region III, Chile and is comprised of the Filo del Sol Property and the Tamberias Property. Materially all of the Company's administrative costs are incurred by the Canadian parent, where materially all of the Company's cash is held in the normal course of business until it is required to be deployed to the Company's South American subsidiaries in support of ongoing and planned work programs.

The following are summaries of the Company's current and non-current assets, current liabilities, and net losses by segment:

As at December 31,		Filo del Sol Project	Other	Corporate	Total
2018	Current assets	4,516,473	-	303,122	4,819,595
	Mineral properties	7,118,233	-	-	7,118,233
	Total Assets	11,634,706	-	303,122	11,937,828
	Current liabilities	2,472,242	-	746,334	3,218,576
2017	Current assets	2,651,268	-	1,062,492	3,713,760
	Mineral properties	6,479,344	-	-	6,479,344
	Total Assets	9,130,612	-	1,062,492	10,193,104
	Current liabilities	1,722,233	-	529,939	2,252,172

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Year ended December 31,		Filo del Sol Project	Other	Corporate	Total
2018	Exploration and project investigation	23,990,199	127,686	-	24,117,885
	General and administration and other items	(39,164)	-	4,812,506	4,773,342
	Net loss	23,951,035	127,686	4,812,506	28,891,227
2017	Exploration and project investigation	14,491,161	528,078	-	15,019,239
	General and administration and other items	-	-	3,675,879	3,675,879
	Net loss	14,491,161	528,078	3,675,879	18,695,118

15. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management and definition of capital, the Company considers the items included in shareholders' equity to be capital.

The Company manages the capital structure and makes adjustments, as necessary, in light of changes in economic conditions and the risk characteristics of its assets. In order to maintain or adjust the capital structure, the Company may attempt to issue new shares or debt instruments, acquire or dispose of assets, or to bring in joint venture partners.

To facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including, but not limited to, successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

16. FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISKS

The Company has estimated the fair values of its financial instruments based on appropriate valuation methodologies. These values are not materially different from their carrying value.

The Company classifies the fair value of its financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments consist of cash, receivables and other assets, trade payables and accrued liabilities, and the amounts owing pursuant to credit facilities, with carrying values considered to be reasonable approximations of fair value due to the short-term nature of these instruments.

As at December 31, 2018, the Company's financial instruments are exposed to the following financial risks, including credit, liquidity and currency risks:

- Credit risks associated with cash is minimal as the Company deposits the majority of its cash with a large Canadian financial institution that has been accorded a strong investment grade rating by a primary rating agency.
- Liquidity risks associated with the inability to meet obligations as they become due is minimized through the management of its capital structure as explained on Note 15 and by maintaining good relationships with bankers. The Company also closely monitors and reviews its costs to date and actual cash flows on a monthly basis. In assessing liquidity risk as at December 31, 2018, the Company has also considered the impact of funds made available through the Replacement Facility and Additional Facility (Note 8).

The maturities of the Company's financial liabilities as at December 31, 2018 are as follows:

	Total	Less than 1 year	1-5 years	More than 5 years
Accounts payable and accrued liabilities	3,218,576	3,218,576	-	-
Amounts owing pursuant to credit facility	2,202,548	2,202,548	-	-
Total	5,421,124	5,421,124	-	-

- Foreign currency risk can arise when the Company or its subsidiaries transact or have net financial assets or liabilities which are denominated in currencies other than their respective functional currencies.

At December 31, 2018, the Company's largest foreign currency risk exposure existed at the level of its Canadian headquarters, Filo Mining Corp., where the Company held a net financial liability position denominated in US dollars having a Canadian dollar equivalent of approximately \$2.2 million. A 10% change in the foreign exchange rate between the US dollar, and the Canadian dollar, Filo Mining Corp.'s functional currency, would give rise to increases/decreases of approximately \$220,000 in financial position/comprehensive loss.

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For the year ended December 31, 2018 and 2017
(Expressed in Canadian Dollars, unless otherwise stated)

17. COMMITMENTS

In November 2017, the Company entered into agreements with the owners of certain lands, accesses and surface rights related to the Tamberias Property (the "Access Agreements"). Under the terms of the Access Agreements, in exchange for total payments of US\$ 1.26 million, the Company secured its right to use and maintain roads and accesses, which allow entry to the Filo del Sol Project from Chile, and also perform any surface disturbances as necessary to undertake its exploration work programs, such as establishing drill platforms, for a period of four years.

As of December 31, 2018, the Company has two remaining payments of US\$ 315,875 each, which are payable in November 2019 and 2020.



CORPORATE DIRECTORY

OFFICERS

Adam I. Lundin
President & Chief Executive Officer
Robert Carmichael
VP Exploration
James Beck
VP Corporate Development & Projects
Jeffrey Yip
Chief Financial Officer
Julie Kemp
Corporate Secretary

DIRECTORS

Lukas H. Lundin, Chairman (non-executive)
Alessandro Bitelli
C. Ashley Heppenstall
Adam I. Lundin
Paul McRae
Pablo Mir
Wojtek Wodzicki

AUDITORS

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Vancouver, British Columbia, Canada

LEGAL COUNSEL

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Canada V6C 3E8

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada
Vancouver, British Columbia
Canada

SHARE LISTINGS

TSX Venture Exchange &
Nasdaq First North Exchange
Symbol: FIL
CUSIP No.: 31730E101
ISIN: CA31730E1016