

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

RED METAL RESOURCES, LTD.

Form: 10-Q

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Corporate Issuer CIK: 1358654

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: **October 31, 2018**

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number **000-52055**

RED METAL RESOURCES LTD.

(Exact name of small business issuer as specified in its charter)

Nevada

(State or other jurisdiction
of incorporation or organization)

20-2138504

(I.R.S. Employer
Identification No.)

278 Bay Street, Suite 102, Thunder Bay, ON P7B 1R8

(Address of principal executive offices) (Zip Code)

(807) 345-7384

(Issuer's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company.

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller Reporting Company
Emerging Growth Company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of December 17, 2018, the number of shares of the registrant's common stock outstanding was 37,504,588.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

RED METAL RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN US DOLLARS)

	October 31, 2018	January 31, 2018
	(Unaudited)	
ASSETS		
Current assets		
Cash	\$ 4,601	\$ 2,392
Prepays and other receivables	6,002	7,034
Total current assets	10,603	9,426
Equipment	1,357	1,966
Unproved mineral properties	648,623	694,616
Total assets	\$ 660,583	\$ 706,008
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	\$ 203,180	\$ 387,961
Accrued liabilities	113,094	179,239
Due to related parties	1,840	1,196,798
Notes payable	25,593	34,384
Notes payable to related parties	-	1,218,375
Total current liabilities	343,707	3,016,757
Long-term notes to related parties	524,227	-
Total liabilities	867,934	3,016,757
Stockholders' deficit		
Common stock, \$0.001 par value, authorized 500,000,000, 37,504,588 and 35,004,588 issued and outstanding at October 31, 2018 and January 31, 2018, respectively	37,504	35,004
Additional paid-in capital	8,968,677	6,803,833
Deficit	(9,204,681)	(9,129,238)
Accumulated other comprehensive loss	(8,851)	(20,348)
Total stockholders' deficit	(207,351)	(2,310,749)
Total liabilities and stockholders' deficit	\$ 660,583	\$ 706,008

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

RED METAL RESOURCES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
(EXPRESSED IN US DOLLARS)
(UNAUDITED)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2018	2017	2018	2017
Operating expenses:				
Amortization	\$ 113	\$ 166	\$ 388	\$ 519
Consulting fees	-	15,000	30,000	45,000
General and administrative	17,631	17,202	40,587	48,748
Mineral exploration costs	2,105	14	14,510	1,036
Professional fees	9,951	2,417	25,453	6,033
Rent	-	2,604	5,329	7,610
Regulatory	874	1,136	5,350	6,693
Salaries, wages and benefits	15,590	18,307	52,888	53,169
	(46,264)	(56,846)	(174,505)	(168,808)
Other items				
Foreign exchange gain (loss)	339	(1,520)	4,166	(1,562)
Forgiveness of debt	-	-	162,723	-
Interest on notes payable	(10,755)	(26,992)	(67,827)	(74,771)
Net loss	(56,680)	(85,358)	(75,443)	(245,141)
	(32,534)	48,424	11,497	(5,466)
Comprehensive loss	\$ (89,214)	\$ (36,934)	\$ (63,946)	\$ (250,607)
Net loss per share - basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
Weighted average number of shares				
outstanding - basic and diluted	36,781,145	34,647,445	37,504,588	34,647,445

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

RED METAL RESOURCES LTD.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
(EXPRESSED IN US DOLLARS)
(Unaudited)

	Common Stock Issued			Accumulated Deficit	Accumulated Other Comprehensive Income / (Loss)	Total
	Number of Shares	Amount	Additional Paid-in Capital			
Balance at January 31, 2017	34,647,445	\$ 34,647	\$ 6,779,190	\$ (8,835,401)	\$ 26,153	\$ (1,995,411)
Net loss for the nine months ended October 31, 2017	-	-	-	(245,141)	-	(245,141)
Foreign exchange translation	-	-	-	-	(5,466)	(5,466)
Balance at October 31, 2017	34,647,445	34,647	6,779,190	(9,080,542)	20,687	(2,246,018)
Stock issued for mineral property	357,143	357	24,643	-	-	25,000
Net loss for the three months ended January 31, 2018	-	-	-	(48,696)	-	(48,696)
Foreign exchange translation	-	-	-	-	(41,035)	(41,035)
Balance at January 31, 2018	35,004,588	35,004	6,803,833	(9,129,238)	(20,348)	(2,310,749)
Stock issued for cash	2,500,000	2,500	185,000	-	-	187,500
Extinguishment of related party debt	-	-	1,979,844	-	-	1,979,844
Net loss for the nine months ended October 31, 2018	-	-	-	(75,443)	-	(75,443)
Foreign exchange translation	-	-	-	-	11,497	11,497
Balance at October 31, 2018	37,504,588	\$ 37,504	\$ 8,968,677	\$ (9,204,681)	\$ (8,851)	\$ (207,351)

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

RED METAL RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN US DOLLARS)
(Unaudited)

For the nine months ended
October 31,
2018 2017

Cash flows used in operating activities:		
Net loss	\$ (75,443)	\$ (245,141)
Adjustments to reconcile net loss to net cash used in operating activities:		
Accrued interest on related party notes payable	58,653	61,243
Accrued interest on related party payables	7,259	10,861
Accrued interest on notes payable	2,012	2,488
Amortization	388	519
Forgiveness of debt	(162,723)	-
Changes in operating assets and liabilities:		
Prepays and other receivables	281	(675)
Accounts payable	(7,544)	28,044
Accrued liabilities	(52,093)	(2,894)
Due to related parties	37,037	52,813
Repayment of interest accrued on notes payable	(4,646)	-
Net cash used in operating activities	(196,819)	(92,742)
Cash flows used in investing activities:		
Acquisition of unproved mineral properties	(47,977)	(28,008)
Net cash used in investing activities	(47,977)	(28,008)
Cash flows provided by financing activities:		
Cash received on issuance of notes payable to related parties	64,537	128,934
Issuance of common stock for private placements	187,500	-
Cash paid for notes payable	(2,130)	-
Net cash provided by financing activities	249,907	128,934
Effects of foreign currency exchange	(2,902)	193
Increase in cash	2,209	8,377
Cash, beginning	2,392	7,679
Cash, ending	\$ 4,601	\$ 16,056
Supplemental disclosures:		
Cash paid for:		
Income tax	\$ -	\$ -
Interest	\$ 4,646	\$ -

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

RED METAL RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2018
(UNAUDITED)

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

Nature of Operations

Red Metal Resources Ltd. (the "Company") holds a 99% interest in Minera Polymet SpA ("Polymet") under the laws of the Republic of Chile. The Company is involved in acquiring and exploring mineral properties in Chile. The Company has not determined whether its properties contain mineral reserves that are economically recoverable.

Unaudited Interim Consolidated Financial Statements

The unaudited interim consolidated financial statements of the Company have been prepared in accordance with the United States generally accepted accounting principles ("GAAP") for interim financial information and the rules and regulations of the Securities and Exchange Commission ("SEC"). They do not include all information and footnotes required by GAAP for complete financial statements. Except as disclosed herein, there have been no material changes in the information disclosed in the notes to the financial statements for the year ended January 31, 2018, included in the Company's Annual Report on Form 10-K, filed with the SEC. The unaudited interim consolidated financial statements should be read in conjunction with those financial statements included in Form 10-K. In the opinion of management, all adjustments considered necessary for fair presentation, consisting solely of normal recurring adjustments, have been made. Operating results for the three and nine months ended October 31, 2018, are not necessarily indicative of the results that may be expected for the year ending January 31, 2019.

NOTE 2 - RELATED-PARTY TRANSACTIONS

The following amounts were due to related parties as at:

	October 31, 2018	January 31, 2018
Due to a company owned by an officer (a)	\$ 3	\$ 699,882
Due to a company controlled by directors (b)	1,837	371,303
Due to a company controlled by a major shareholder (a)	-	85,906
Due to a major shareholder (a)	-	39,707
Total due to related parties	\$ 1,840	\$ 1,196,798

(a) Amounts are unsecured, due on demand and bear no interest.

(b) Amounts are unsecured, due on demand, and prior to forgiveness of debt bore interest at 10%; subsequent to forgiveness of debt no interest is being accrued on the amounts owed to the company controlled by directors.

During the nine-month period ended October 31, 2018, the Company accrued \$7,259 (October 31, 2017 - \$10,861) in interest expense on trade accounts payable with related parties.

During the nine-month period ended October 31, 2018, debt owing by the Company to related parties of \$1,206,055 was forgiven. The gain on the extinguishment of debt was recorded in additional paid-in capital. The details of debt forgiveness are as follows:

	October 31, 2018
Amounts due for services:	
Debt forgiven by the company owned by an officer	\$ 721,947
Debt forgiven by the company controlled by directors	361,163
Debt forgiven by the company controlled by a major shareholder	85,374
Debt forgiven by the major shareholder	37,571
Total debt forgiven by related parties	\$ 1,206,055

The following amounts were due under the notes payable the Company issued to related parties:

	October 31, 2018	January 31, 2018
Note payable to the Chief Executive Officer ("CEO") (c)	\$ 415,331	\$ 478,355
Note payable to the Chief Financial Officer ("CFO") (c)	8,673	13,724
Note payable to a major shareholder (c)	-	569,064
Note payable to a company controlled by directors (c)	100,223	157,232
Total notes payable to related parties (d)	<u>\$ 534,227</u>	<u>\$ 1,218,375</u>

(c) Amounts are unsecured and bear interest at 8%.

(d) On July 31, 2018, the debt holders agreed to extend the repayment period until July 31, 2021; as such, the full amount due under the notes payable was reclassified to long-term notes payable.

During the nine-month period ended October 31, 2018, the Company accrued \$58,653 (October 31, 2017 - \$61,243) in interest expense on the notes payable to related parties.

During the nine-month period ended October 31, 2018, debt owing by the Company to related parties under the demand notes payable of \$773,789 was forgiven. The gain on the extinguishment of debt was recorded in additional paid-in capital. The details of forgiveness of the notes payable are as follows:

Amounts due for	October 31, 2018	
	Principal	Accrued Interest
Accrued interest on note payable to the CEO	\$ -	\$ 127,674
Accrued interest on note payable to the CFO	-	5,777
Note payable including accrued interest to a major shareholder	456,369	128,666
Accrued interest on note payable to the company controlled by directors	-	55,302
Total notes payable and accrued interest forgiven by related parties	<u>\$ 456,369</u>	<u>\$ 317,419</u>

Transactions with Related Parties

During the nine-month periods ended October 31, 2018 and 2017, the Company incurred the following expenses with related parties:

	October 31, 2018	October 31, 2017
Consulting fees paid or accrued to a company owned by the CFO	\$ 30,000	\$ 45,000
Rent fees paid or accrued to a company controlled by a major shareholder	\$ 5,184	\$ 7,610

NOTE 3 - UNPROVED MINERAL PROPERTIES

Following are the schedules of the Company's unproved mineral properties as at October 31, 2018:

Mineral Claims	January 31, 2018	Acquisition fees and property taxes paid	Effect of foreign currency translation	October 31, 2018
Farellon Project				
Farellon Alto 1-8	\$ 443,027	\$ 10,635	\$ (58,143)	\$ 395,519
Quina	117,145	1,962	(15,269)	103,838
Exeter	92,741	26,837	(14,191)	105,387
	<u>652,913</u>	<u>39,434</u>	<u>(87,603)</u>	<u>604,744</u>
Perth Project				
	<u>41,703</u>	<u>8,543</u>	<u>(6,367)</u>	<u>43,879</u>
Total Costs	<u>\$ 694,616</u>	<u>\$ 47,977</u>	<u>\$ (93,970)</u>	<u>\$ 648,623</u>

NOTE 4- COMMON STOCK

On April 20, 2018, the Company issued 2,500,000 units of the Company's common stock at a price of \$0.075 per unit for total proceeds of \$187,500. Each unit consisted of one common share of the Company and one share purchase warrant entitling a holder to purchase one additional common share for a period of two years after closing at an exercise price of \$0.1875 per share. The Company may accelerate the expiration date of the warrants if the daily volume weighted average share price of the Company's common shares equals to or is greater than CAD\$0.30 as posted on Canadian Securities Exchange, or USD\$0.225 as posted on OTC Link alternative trading system (or such other stock exchange as the Company's common shares are then trading on) for ten consecutive trading days.

Warrants

At October 31, 2018, the Company had 2,500,000 warrants issued and exercisable. Each warrant entitles its holder to purchase one common share for a period of two years expiring on April 20, 2020, at an exercise price of \$0.1875 per share, subject to acceleration clause as described above.

NOTE 5 - SUBSEQUENT EVENT

Subsequent to October 31, 2018, the Company made the fifth and final option payment of \$50,000 to acquire a 100% interest in the Quina Claim.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statements

This Quarterly Report on Form 10-Q filed by Red Metal Resources Ltd. contains forward-looking statements. These are statements regarding financial and operating performance and results and other statements that are not historical facts. The words "expect," "project," "estimate," "believe," "anticipate," "intend," "plan," "forecast," and similar expressions are intended to identify forward-looking statements. Certain important risks could cause results to differ materially from those anticipated by some of the forward-looking statements. Some, but not all, of these risks include, among other things:

- general economic conditions, because they may affect our ability to raise money;
- our ability to raise enough money to continue our operations;
- changes in regulatory requirements that adversely affect our business;
- changes in the prices for minerals that adversely affect our business;
- political changes in Chile, which could affect our interests there; and/or
- other uncertainties, all of which are difficult to predict and many of which are beyond our control.

We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this report. We are not obligated to update these statements or publicly release the results of any revisions to them to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events. You should refer to, and carefully review, the information in future documents we file with the Securities and Exchange Commission.

General

You should read this discussion and analysis in conjunction with our interim unaudited consolidated financial statements and related notes included in this Form 10-Q and the audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2018. The inclusion of supplementary analytical and related information may require us to make estimates and assumptions to enable us to fairly present, in all material respects, our analysis of trends and expectations with respect to our results of operations and financial position taken as a whole. Actual results may vary from the estimates and assumptions we make.

Overview

Red Metal Resources Ltd. "Red Metal" or the "Company" is a mineral exploration company engaged in locating, and eventually developing, mineral resources in Chile. Our business strategy is to identify, acquire and explore prospective mineral claims with a view to either developing them ourselves or, more likely, finding a joint venture partner with the mining experience and financial means to undertake the development. All of our claims are in the Candelaria IOCG belt in the Chilean Coastal Cordillera.

Consistent with our historical practices, we continue to monitor our costs in Chile by reviewing our mineral claims to determine whether they possess the geological indicators to economically justify the capital to maintain or explore them. Currently, our subsidiary, Minera Polymet SpA, has two employees in Chile and engages independent consultants on as needed basis. Most of our support - such as vehicles, office and equipment - is supplied under short-term contracts. The only long-term commitments that we have are for royalty payments on four of our mineral claims - Farellon Alto 1-8, Quina 1 - 56, Exeter 1 - 54, and Che. These royalties are payable once exploitation begins. We are also required to pay property taxes that are due annually on all the claims that are included in our properties.

The cost and timing of all planned exploration programs are subject to the availability of qualified mining personnel, such as consulting geologists, geo-technicians and drillers, and drilling equipment. Although Chile has a well-trained and qualified mining workforce from which to draw and few early-stage companies such as ours are competing for the available resources, if we are unable to find the personnel and equipment that we need when we need them and at the prices that we have estimated today, we might have to revise or postpone our plans.

On August 22, 2018, we entered into a lease agreement (the "Lease Agreement") with Mr. Lucas Godoy Ocayo (the "Lessee") to lease out our Farellon Alto 1-8 property (the "Property") in exchange for a 15% royalty on gross smelter returns of cobalt extracted from the Property and a 10% royalty on gross smelter returns received from all other minerals extracted from the Property. The Lease Agreement is subject to minimum royalty payments of \$1,500. The Lease Agreement is for a period of three years and is renewable automatically for additional three-year consecutive periods. Based on the Lease Agreement, the Lessee is responsible for the exploitation arrangements such as camp costs, road repairs, permits, and is also responsible for supplying man power to carry out the exploration and exploitation program on the Property.

Debt Restructuring

During our July quarter we finalized negotiations with our related parties and other arms-length debt holders, who agreed to restructure the debt we owed to them as at July 31, 2018. As a result of these negotiations, we recorded \$162,723 in extinguishment of debt by arms-length debt holders, of which \$38,211 was associated with reversal of old debt which exceeded the statute of limitations; reduced the debt to our related parties by \$1,979,844, and extended the repayment of the \$479,995 owed to our related parties until July 31, 2021, with all other terms remaining substantially unchanged.

Results of Operations

SUMMARY OF FINANCIAL CONDITION

Table 1 summarizes and compares our financial condition at October 31, 2018, to the year ended January 31, 2018.

Table 1: Comparison of financial condition

	October 31, 2018	January 31, 2018
Working capital deficit	\$ (333,104)	\$ (3,007,331)
Current assets	\$ 10,603	\$ 9,426
Unproved mineral properties	\$ 648,623	\$ 694,616
Total current liabilities	\$ 343,707	\$ 3,016,757
Total long-term liabilities	\$ 524,227	\$ -
Common stock and additional paid in capital	\$ 9,006,181	\$ 6,838,837
Accumulated other comprehensive loss	\$ (8,851)	\$ (20,348)
Deficit	\$ (9,204,681)	\$ (9,129,238)

Selected Financial Results

THREE AND NINE MONTHS ENDED OCTOBER 31, 2018 AND 2017

Our operating results for the three and nine months ended October 31, 2018 and 2017, and the changes in the operating results between those periods are summarized in Table 2:

Table 2: Summary of operating results

	Three Months Ended			Nine Months Ended		
	October 31, 2018	October 31, 2017	Percentage Increase / (Decrease)	October 31, 2018	October 31, 2017	Percentage Increase / (Decrease)
Operating expenses	\$ (46,264)	\$ (56,846)	(18.6)%	\$ (174,505)	\$ (168,808)	3.4%
Other items:						
Foreign exchange gain (loss)	339	(1,520)	122.3%	4,166	(1,562)	366.7%
Forgiveness of debt	-	-	n/a	162,723	-	n/a
Interest on notes payable	(10,755)	(26,992)	(60.2)%	(67,827)	(74,771)	(9.3)%
Net loss	(56,680)	(85,358)	(33.6)%	(75,443)	(245,141)	(69.2)%
Unrealized foreign exchange gain (loss)	(32,534)	48,424	(167.2)%	11,497	(5,466)	310.3%
Comprehensive loss	\$ (89,214)	\$ (36,934)	141.5%	\$ (63,946)	\$ (250,607)	(74.5)%

Revenue. We did not generate any revenue during the three and nine months ended October 31, 2018 and 2017. Due to the exploration rather than the production nature of our business, we do not expect to have significant operating revenue in the foreseeable future.

Operating expenses. Our operating expenses for the three and nine months ended October 31, 2018 and 2017, and the changes between those periods are summarized in Table 3.

Table 3: Detailed changes in operating expenses

	Three Months Ended			Nine Months Ended		
	October 31, 2018	October 31, 2017	Percentage Increase / (Decrease)	October 31, 2018	October 31, 2017	Percentage Increase / (Decrease)
Operating expenses						
Amortization	\$ 113	\$ 166	(31.9)%	\$ 388	\$ 519	(25.2)%
Consulting fees	-	15,000	(100.0)%	30,000	45,000	(33.3)%
General and administrative	17,631	17,202	2.5%	40,587	48,748	(16.7)%
Mineral exploration costs	2,105	14	14,935.7%	14,510	1,036	1,300.6%
Professional fees	9,951	2,417	311.7%	25,453	6,033	321.9%
Rent	-	2,604	(100)%	5,329	7,610	(30.0)%
Regulatory	874	1,136	(23.1)%	5,350	6,693	(20.1)%
Salaries, wages and benefits	15,590	18,307	(14.8)%	52,888	53,169	(0.5)%
Total operating expenses	\$ 46,264	\$ 56,846	(18.6)%	\$ 174,505	\$ 168,808	3.4%

Our operating expenses decreased by \$10,582, or 18.6%, from \$56,846 for the three-month period ended October 31, 2017 to \$46,264 for the three-month period ended October 31, 2018. The decrease in operating expenses during the three-month period ended October 31, 2018, was associated mainly with an absence of consulting fees and office rental fees during the nine-month period ended October 31, 2018, as opposed to \$15,000 consulting fees and \$2,604 rental fees we incurred during the three months ended October 31, 2017. The decrease in consulting and rental fees was further augmented by reduction in the salaries, wages and benefits of \$2,717, which decreased from \$18,037 we incurred during the three months ended October 31, 2017, to \$15,590 we incurred during the three-month period ended October 31, 2018. These decreases were in part offset by \$7,534 increase in professional fees, which amounted to \$9,951, as compared to the three months ended October 31, 2017, and by \$2,105 incurred in mineral exploration costs, which were \$2,091 higher than our costs associated with mineral exploration for the three months ended October 31, 2017.

During the nine-month period ended October 31, 2018, our operating expenses increased by 3.4% to \$174,505 from \$168,808 for the nine months ended October 31, 2017.

The most significant year-to-date changes in our operating expenses were as follows;

- Our mineral and exploration expenses increased by \$13,474, or 1,300.6%; from \$1,036 we incurred during the nine-month period ended October 31, 2017, to \$14,510 we incurred during the nine-month period ended October 31, 2018. The higher mineral exploration expenses during the nine-month period ended October 31, 2018, were associated with the payment of 2017/18 and 2018/19 property taxes and late payment fees for the claims that comprise our Mateo Property and for the Cecil claim, which is included in our Farellon Property; these claims were impaired during our Fiscal 2016, however, we retain ownership of these claims.
- Our professional fees increased by \$19,420, or 321.9%, from \$6,033 we incurred during the nine-month period ended October 31, 2017, to \$25,453 we incurred during the nine-month period ended October 31, 2018. The change was caused by reclassification of some of our vendor payables from administrative fees to professional fees.
- Our general and administrative expenses decreased by 16.7%, or \$8,161 to \$40,587 during the nine-month period ended October 31, 2018, as compared to \$48,748 we incurred in general and administrative expenses during the comparative period ended October 31, 2017. The decrease was associated mostly with reduced administrative fees which decreased due to reclassification of some of our vendor payables to professional fees.
- Our consulting fees decreased by 33.3%, or \$15,000 to \$30,000 during the nine-month period ended October 31, 2018, as compared to \$45,000 we incurred in consulting fees during the comparative period ended October 31, 2017. The decrease was associated mostly with our attempt to control our operating costs.

Other items. To continue our operations we were required to incur additional debt with our debt holders. Our notes payable carry 8% interest, which resulted in \$67,827 in interest we accrued during the nine-month period ended October 31, 2018, a decrease of \$6,944 as compared to \$74,771 in interest we accrued during the nine-month period ended October 31, 2017. The reduction in interest expense resulted from the partial forgiveness of debt by non arms-length debt holders.

During the second quarter of our Fiscal 2019, we finalized negotiations with several arms-length debt holders, who agreed to forgive, partially or in full, the debt we owed to them. As a result of these negotiations, we recorded \$124,512 in extinguishment of debt by arms-length debt holders. In addition, the extinguishment of debt included \$38,211 associated with reversal of old debt which exceeded the statute of limitation.

Comprehensive loss. Our comprehensive loss for the three-month period ended October 31, 2018, was \$89,214 as compared to the comprehensive loss of \$36,934 we recorded for the three-month period ended October 31, 2017. During the three-month period ended October 31, 2018, the comprehensive loss included \$32,534 loss associated with the foreign exchange translation of the carried balances denominated in other than our functional currencies. During the comparative three-month period ended October 31, 2017, the comprehensive loss included \$48,424 gain associated with the foreign exchange translation of the carried balances denominated in other than our functional currencies.

Our comprehensive loss for the nine-month period ended October 31, 2018, was \$63,946 as compared to the comprehensive loss of \$250,607 we recorded for the nine-month period ended October 31, 2017. During the nine-month period ended October 31, 2018, the comprehensive loss included \$11,497 gain associated with the foreign exchange translation of the carried balances denominated in other than our functional currencies. During the comparative nine-month period ended October 31, 2017, the comprehensive loss included \$5,466 loss associated with the foreign exchange translation of the carried balances denominated in other than our functional currencies.

Liquidity and Capital Resources

Table 4: Working capital

	October 31, 2018	January 31, 2018	Percentage Increase / (Decrease)
Current assets	\$ 10,603	\$ 9,426	12.5%
Current liabilities	343,707	3,016,757	(88.6)%
Working capital deficit	\$ (333,104)	\$ (3,007,331)	(88.9)%

As of October 31, 2018, we had a cash balance of \$4,601, our working capital was represented by a deficit of \$333,104 and cash used in operations totaled \$196,819 for the period then ended.

We did not generate sufficient cash flows from our operating activities to satisfy our cash requirements for the nine-month period ended October 31, 2018. The amount of cash that we have generated from our operations to date is significantly less than our current debt obligations, including our debt obligations under our notes and advances payable.

There is no assurance that we will be able to generate sufficient cash from our operations to repay the amounts owing under these notes and advances payable, or to service our other debt obligations. If we are unable to generate sufficient cash flow from our operations to repay the amounts owing when due, we may be required to raise additional financing from other sources.

Table 5 summarizes our sources and uses of cash for the nine months ended October 31, 2018 and 2017.

Table 5: Summary of sources and uses of cash

	October 31,	
	2018	2017
Net cash used in operating activities	\$ (196,819)	\$ (92,742)
Net cash used in investing activities	(47,977)	(28,008)
Net cash provided by financing activities	249,907	128,934
Effects of foreign currency exchange	(2,902)	193
Net increase in cash	\$ 2,209	\$ 8,377

Net cash used in operating activities

During the nine months ended October 31, 2018, we used net cash of \$196,819 in operating activities. We used \$169,854 to cover our cash operating costs, \$7,544 and \$52,093 to decrease our accounts payable and accrued liabilities, respectively, and \$4,646 to pay back accrued interest on a non-related party loan. These uses of cash were offset by an increase to the amounts we owed to our related parties of \$37,037 and, to a minor extent, with \$281 decrease in our prepaid expenses and other receivables.

During the nine months ended October 31, 2017, we used net cash of \$92,742 in operating activities. We used \$170,030 to cover our cash operating costs, \$2,894 to decrease our accrued liabilities, and \$675 to increase our prepaid expenses and other receivables. These uses of cash were offset by increases in accounts payable and amounts due to related parties of \$28,044 and \$52,813, respectively.

Certain non-cash changes included in the net loss for the period

During the nine months ended October 31, 2018, our outstanding notes payable to related parties resulted in accrual of \$58,653 in interest, and our notes payable to non-related party accumulated \$2,012 in interest. In addition, we recorded \$7,259 in interest associated with unpaid trade accounts payable with related parties, and \$388 in amortization.

During the second quarter of our Fiscal 2019, we finalized negotiations with several arms-length debt holders, who agreed to forgive, partially or in full, the debt we owed to them. As a result of these negotiations, we recorded \$124,512 in extinguishment of debt by arms-length debt holders. In addition, the extinguishment of debt included \$38,211 associated with reversal of old debt which exceeded the statute of limitation.

During the nine months ended October 31, 2017, our outstanding notes payable to related parties resulted in accrual of \$61,243 in interest, and our notes payable to non-related party accumulated \$2,488 in interest. In addition, we recorded \$10,861 in interest associated with unpaid trade accounts payable with related parties, and \$519 in amortization of equipment we use for mineral exploration.

Net cash used in investing activities

During the nine months ended October 31, 2018, we spent \$22,977 paying 2017/18 mineral property taxes which remained unpaid during our Fiscal 2018, and 2018/19 mineral property taxes on exploration claims comprising our Perth and Farellon Properties. In addition, we used \$25,000 to make the fourth option payment pursuant to our option agreement to acquire the Exeter claim.

During the nine months ended October 31, 2017, we spent \$3,008 paying 2017/18 mineral property taxes on several exploration claims within our Perth and Farellon Properties and \$25,000 to make a third option payment pursuant to our option agreement to acquire the Exeter claim.

Net cash provided by financing activities

During the nine months ended October 31, 2018, we received \$187,500 on subscription to 2,500,000 units of our common stock at \$0.075 per unit.

During the nine months ended October 31, 2018, we borrowed \$895 and \$63,642 (CAD\$82,036) from our CEO. The loans are unsecured, payable on demand and bear interest at 8% per annum, compounded monthly. During the same period we repaid \$2,130 in notes payable to an arms-length party.

During the nine-month period ended October 31, 2018, we finalized negotiations with our related parties who agreed to restructure the debt we owed to them as at July 31, 2018. As a result of these negotiations, our related parties agreed to forgive us the debt totaling \$1,979,844, which was comprised of \$456,369 in principal under the notes payable we issued to Mr. Jeffs, our major shareholder, \$317,420 in interest accrued on the notes payable we issued to Mr. Jeffs, Ms. Jeffs, our CEO, Fladgate Exploration Consulting Corporation ("Fladgate"), the Company of which Ms. Jeffs and Mr. Thompson are principals, and Mr. da Costa, our CFO. In addition, our related parties also agreed to forgive a total of \$1,206,055 we owed them on account of services they have provided to the Company. Remaining \$479,995 in notes payable we issued to Ms. Jeffs, Fladgate, and Mr. da Costa, have been amended to extend the repayment period to no less than three years, or July 31, 2021; all other terms of the notes payable remained substantially unchanged.

During the nine months ended October 31, 2017, we borrowed \$22,000 and \$19,580 (CAD\$26,000) from our significant shareholder, and \$4,040 and \$83,314 (CAD\$108,505) from our CEO. The loans are unsecured, payable on demand and bear interest at 8% per annum, compounded monthly.

Going Concern

The consolidated financial statements included in this Quarterly Report have been prepared on a going concern basis, which implies that we will continue to realize our assets and discharge our liabilities in the normal course of business. We have not generated any significant revenues from mineral sales since inception, have never paid any dividends and are unlikely to pay dividends or generate significant earnings in the immediate or foreseeable future. Our continuation as a going concern depends upon the continued financial support of our shareholders, our ability to obtain necessary debt or equity financing to continue operations, and the attainment of profitable operations. Our ability to achieve and maintain profitability and positive cash flow depends upon our ability to locate profitable mineral claims, generate revenue from mineral production and control our production costs. Based upon our current plans, we expect to incur operating losses in future periods, which we plan to mitigate by controlling our operating costs and by sharing mineral exploration expenses through joint venture agreements, if possible. At October 31, 2018, we had a working capital deficit of \$333,104 and accumulated losses of \$9,204,681. These factors raise substantial doubt about our ability to continue as a going concern. We cannot assure you that we will be able to generate significant revenues in the future. Our consolidated interim financial statements do not give effect to any adjustments that would be necessary should we be unable to continue as a going concern and therefore be required to realize our assets and discharge our liabilities in other than the normal course of business and at amounts different from those reflected in our financial statements.

Table 6: Active properties

Property	Percentage, type of claim	Hectares	
		Gross area	Net area ^a
Farellon			
Farellon Alto 1 - 8 claim	100%, mensura	66	
Quina 1 - 56 claim	100%, mensura	251	
Exeter 1 - 54 claim	Option to acquire 100% interest, mensura	235	
Cecil 1 - 49 claim	100%, mensura	228	
Teresita claim	100%, mensura	1	
Azucar 6 - 25 claim	100%, mensura	88	
Stamford 61 - 101 claim	100%, mensura	165	
Kahuna 1 - 40 claim	100%, mensura	200	
		<u>1,234</u>	1,234
Perth			
Perth 1 al 36 claim	100%, mensura	109	
Lancelot I 1 al 27 claim	100%, mensura in process	300	
Lancelot II	100%, pedimento	200	
Merlin I	100%, pedimento	300	
Rey Arturo 1 al 29 claim	100%, mensura in process	300	
Galahad I	100%, pedimento	300	
Percival	100%, pedimento	300	
Tristan II	100%, pedimento	300	
Camelot	100%, pedimento	300	
		<u>2,409</u>	
Overlapped claims ^a		<u>(109)</u>	2,300
Mateo			
Margarita claim	100%, mensura	56	
Che 1 & 2 claims	100%, mensura	76	
Irene & Irene II claims	100%, mensura	60	
Mateo 4 and 5 claims	100%, mensura	600	
Mateo 1, 2, 3, 10A, 10B, 12, 13 claims	100%, mensura in process	861	
		<u>1,653</u>	
Overlapped claims ^a		<u>(469)</u>	1,184
			<u>4,718</u>

^a Certain pedimento and mensura in process claims overlap other claims. The net area is the total of the hectares we have in each property (i.e. net of our overlapped claims).

Our active properties as of the date of this filing are set out in Figure 1. These properties are accessible by road from Vallena as illustrated in Figure 1 below.

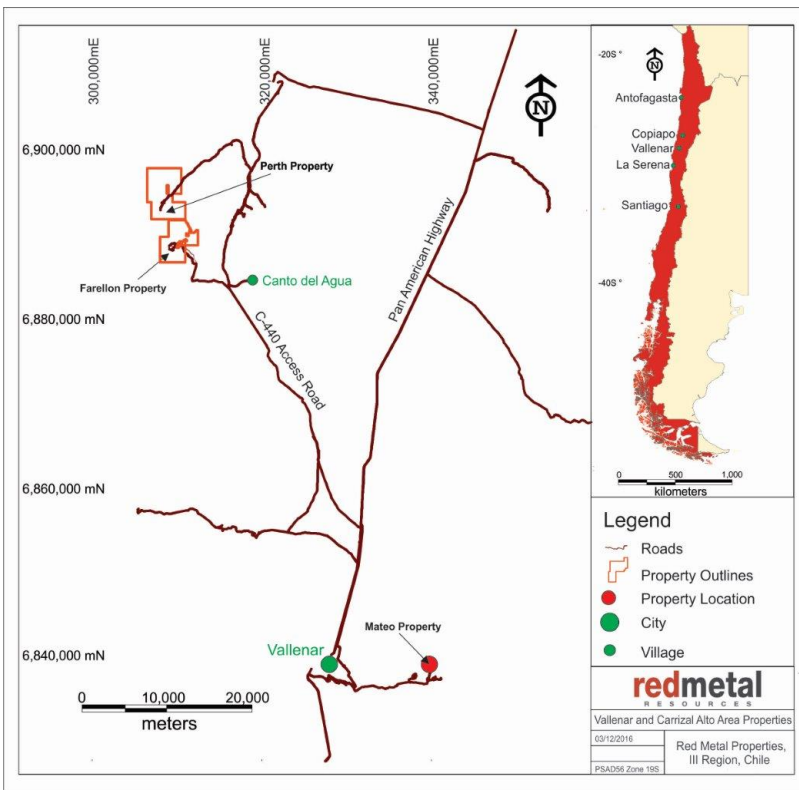


Figure 1: Location and access to active properties.

Farellon Property. Entry into a Lease Agreement for Farellon Alto 1-8

On August 22, 2018, we entered into a lease agreement (the “Lease Agreement”) with Mr. Lucas Godoy Ocayo (the “Lessee”) to lease out our Farellon Alto 1-8 property (the “Property”) in exchange for a 15% royalty on gross smelter returns of Cobalt extracted from the Property and a 10% royalty on gross smelter returns received from all other minerals extracted from the Property. The Lease Agreement is subject to minimum monthly royalty payments of \$1,500, which the Lessee will be required to start making as of November 22, 2018, onwards, once a three-month grace period is over. The Lease Agreement is for a period of three years and is renewable automatically for additional three-year consecutive periods. Based on the Lease Agreement, the Lessee is responsible for the exploitation arrangements such as camp costs, road repairs, permits, and is also responsible for supplying man power to carry out the exploration and exploitation program on the Property.

As of the date of this Quarterly Report on Form 10-Q, the Lessee started work on repairing access to the mine and preparing the infrastructure and setting up the camp for the planned work on the Property.

Farellon Property. Option to Acquire Quina Claim

On December 15, 2014, we entered into an option agreement with David Marcus Mitchell to earn 100% interest in the Quina 1-56 claim (the "Quina Claim"). In order to acquire the 100% interest in the Quina Claim, we are required to pay a total of \$150,000, which we can pay in a combination of shares of our common stock and cash over four years, as detailed in the following schedule:

Date	Option Payment	Shares Issued
Upon execution of the option agreement ("Execution date") (shares issued)	\$ 25,000	500,000
12 months subsequent to the Execution date (shares issued)	25,000	833,333
24 months subsequent to the Execution date (shares issued)	25,000	357,143
36 months subsequent to the Execution date (shares issued)	25,000	357,143
48 months subsequent to the Execution date (cash payment made)	50,000	-
Total	\$ 150,000	2,047,619

The number of shares to be issued for each option payment was determined based on the average trading price of the Company's shares during a 30-day period prior to the payment. All of the above payments were to be made only if the Company wishes to keep the option agreement in force and finally to exercise the option to purchase.

In addition to the option payments, the Company agreed to pay a 1.5% royalty from net smelter returns ("NSR") on the Quina Claim, which the Company can buy out for a one-time payment of \$1,500,000 any time after acquiring 100% of the Quina Claim.

Farellon Property. Option to Acquire Exeter Claim

On June 3, 2015, we entered into an option agreement, made effective on June 15, 2015, with Minera Stamford S.A., to earn 100% interest in a mining claim Exeter 1-54 (the "Exeter Claim"). In order to acquire 100% interest in the Exeter Claim, we are required to pay a total of \$150,000 as detailed in the following schedule:

	Option Payment
Upon execution of the Option Agreement (paid)	\$ 25,000
On or before May 12, 2016 (paid)	25,000
On or before May 12, 2017 (paid)	25,000
On or before May 12, 2018 (paid)	25,000
On or before May 12, 2019	50,000
Total	\$ 150,000

All of the above payments shall be made only if the Company wishes to keep the option agreement in force and finally to exercise the option to purchase.

In addition to the option payments, the Company agreed to pay a 1.5% NSR royalty on the Exeter Claim, which the Company may buy out for a one-time payment of \$750,000 any time after acquiring 100% of the Exeter Claim. Should the Company choose to mine the Exeter Claim prior to acquiring the option, the Company will be obligated to pay a minimum monthly royalty of \$2,500 up to 5,000 tonnes, and a further \$0.25 for every additional tonne mined.

Capital Resources

Our ability to acquire and explore our Chilean claims is subject to our ability to obtain the necessary funding. We expect to raise funds through any combination of debt financing and/or sale of our securities. We have no committed sources of capital. If we are unable to raise funds as and when we need them, we may be required to curtail, or even to cease, our operations.

Contingencies and Commitments

We had no contingencies at October 31, 2018.

As of the date of the filing this Quarterly Report we have the following long-term contractual obligations and commitments:

- *Farellon royalty.* We are committed to paying the vendor a royalty equal to 1.5% on the net sales of minerals extracted from the Farellon Alto 1 - 8 claim up to a total of \$600,000. The royalty payments are due monthly once exploitation begins and are subject to minimum payments of \$1,000 per month.
- *Quina royalty.* We are committed to paying a royalty equal to 1.5% on the net sales of minerals extracted from the Quina claim. The royalty payments are due semi-annually once commercial production begins, and are not subject to minimum payments.
- *Exeter royalty.* We are committed to paying a royalty equal to 1.5% on the net sales of minerals extracted from the Exeter claim. The royalty payments are due semi-annually once commercial production begins, and are not subject to minimum payments. Should we decide to mine the Exeter claim prior to acquiring the option, we will be obligated to pay a minimum monthly royalty of \$2,500 up to 5,000 tonnes, and a further \$0.25 for every additional tonne mined.
- *Che royalty.* We are committed to paying a royalty equal to 1% of the net sales of minerals extracted from the claims to a maximum of \$100,000 to the former owner. The royalty payments are due monthly once exploitation begins, and are not subject to minimum payments.
- *Mineral property taxes.* To keep our mineral claims in good standing, we are required to pay mineral property taxes of approximately \$35,000 per annum.

Equity Financing

On April 20, 2018, we issued 2,500,000 units of our common stock at a price of \$0.075 per unit for total proceeds of \$187,500. Each unit consisted of one common share and one share purchase warrant entitling a holder to purchase one additional common share for a period of two years after closing at an exercise price of \$0.1875 per share. We may accelerate the expiration date of the warrants if the daily volume weighted average share price of our common shares equals to or is greater than CAD\$0.30 as posted on Canadian Securities Exchange, or USD\$0.225 as posted on OTC Link alternative trading system (or such other stock exchange as the Company's common shares are then trading on) for 10 consecutive trading days. The units were issued pursuant to the provisions of Regulation S of the U.S. Securities Act of 1933 (the "U.S. Securities Act.")

Based on our operating plan, we anticipate incurring operating losses in the foreseeable future and will require additional equity capital to support our operations and develop our business plan. If we succeed in completing future equity financings, the issuance of additional shares will result in dilution to our existing shareholders.

Debt Financing

During the period covered by this Quarterly Report on Form 10-Q we borrowed a total of \$64,537 from related parties. The loans are unsecured, due on demand, with interest payable at a rate of 8% per annum.

During the nine-month period ended October 31, 2018, we finalized negotiations with our related parties and other arms-length debt holders, who agreed to restructure the debt we owed to them as at July 31, 2018. As a result of these negotiations, we recorded \$162,723 in extinguishment of debt by arms-length debt holders, reduced the debt to our related parties by \$1,979,844, and extended the repayment of the \$479,995 owed to our related parties until July 31, 2021, with all other terms remaining substantially unchanged.

Challenges and Risks

Aside from the royalties we expect to receive from minerals extracted from our Farellon Alto 1-8 claim, which we leased to an arms-length party on August 22, 2018, for a three-year term, which, royalty payments, cannot be readily estimated, we do not anticipate generating any revenue over the next twelve months, therefore, we plan to fund our operations through any combination of equity or debt financing from the sale of our securities, private loans, joint ventures or through the sale of part interest in our mineral properties. Although we have succeeded in raising funds as we needed them, we cannot assure you that this will continue in the future. Many things, including, but not limited to, a downturn in the state of economy or a significant decrease in the price of minerals, could affect the willingness of potential investors to invest in risky ventures such as ours. We may consider entering into additional joint venture partnerships with other resource companies to complete a mineral exploration programs on our properties in Chile. If we enter into a joint venture arrangement, we would likely have to assign a percentage of our interest in our mineral claims to our joint venture partner in exchange for the funding.

As at October 31, 2018, we owed \$524,227 to related parties under three-year notes payable, which will become repayable on or after July 31, 2021. In addition to the long-term debt, we had \$343,707 in current liabilities, which are due to be payable within next 12 months. We do not have the funds to pay all of our current liabilities, and as such, we may decide to offer some vendors to convert the amounts we owe them into shares of our common stock. Because of the low price of our common stock, the issuance of the shares to pay the debt will likely result in dilution to the percentage of outstanding shares of our common stock held by our existing shareholders.

Investments in and Expenditures on Mineral Interests

Realization of our investments in mineral properties depends upon our maintaining legal ownership, producing from the properties or gainfully disposing of them.

Title to mineral claims involves risks inherent in the difficulties of determining the validity of claims as well as the potential for problems arising from the ambiguous conveyancing history characteristic of many mineral claims. Our contracts and deeds have been notarized, recorded in the registry of mines and published in the mining bulletin. We review the mining bulletin regularly to discover whether other parties have staked claims over our ground. We have discovered no such claims. To the best of our knowledge, we have taken the steps necessary to ensure that we have good title to our mineral claims.

Foreign Exchange

We are subject to foreign exchange risk associated with transactions denominated in foreign currencies. Foreign currency risk arises from the fluctuation of foreign exchange rates and the degree of volatility of these rates relative to the United States dollar. We do not believe that we have any material risk due to foreign currency exchange.

Trends, Events or Uncertainties that May Impact Results of Operations or Liquidity

Since we rely on sales of our securities and loans to continue our operations any uncertainty in the equity markets can have a detrimental impact on our operations. Current trends in the industry and uncertainty that exists in equity markets have resulted in less capital available to us and less appetite for risk by investors. Furthermore, we have found that locating other mineral exploration companies with available funds who are willing to engage in risky ventures such as the exploration of our properties has become very difficult. If we are unable to raise additional capital, we may not be able to develop our properties or continue our operations.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements and no non-consolidated, special-purpose entities.

Related-Party Transactions

During the nine-month period ended October 31, 2018, and up to the date of the filing of this Quarterly Report on Form 10-Q we have entered into the following transactions with the directors, executive officers, or holders of more than 5% of our common stock, or members of their immediate families:

Loans from Richard N. Jeffs

During the period ended October 31, 2018, we entered into negotiations with Mr. Jeffs to restructure the debt we owed to him. As a result of these negotiations, Mr. Jeffs agreed to forgive the debt the Company owed to him as at July 31, 2018. The total amount forgiven was \$622,607 and consisted of \$456,369 in principal under the notes payable we issued to Mr. Jeffs, \$128,666 in interest accrued on these notes payable, and \$37,572 we owed Mr. Jeffs for services. Other than the debt rescheduling, we did not have any new transactions with Mr. Jeffs during the period ended October 31, 2018, and up to the date of the filing of this Quarterly Report on Form 10-Q.

Loans from Caitlin L. Jeffs

During the nine-month period ended October 31, 2018, we borrowed from Caitlin L. Jeffs, our Chief Executive Officer, Secretary and a member of our Board of Directors, \$895 and \$63,642 (CAD\$82,036). The loans are subject to 8% interest compounded monthly, are unsecured and due on demand.

At July 31, 2018, as part of the debt restructuring initiative, Ms. Jeffs agreed to forgive \$127,674 in interest accrued on the demand notes payable the Company issued to Ms. Jeffs. Furthermore, Ms. Jeffs agreed to extend the repayment of principal under the notes payable for a three-year period commencing on July 31, 2018.

Loan from John da Costa

At July 31, 2018, as part of the debt restructuring initiative, Mr. da Costa agreed to forgive \$5,777 in interest accrued on the demand note payable the Company issued to Mr. da Costa. Furthermore, Mr. da Costa agreed to extend the repayment of principal under the note payable for a three-year period commencing on July 31, 2018.

Transactions with Da Costa Management Corp.

We pay Da Costa Management Corp. for administrative and accounting services. Joao (John) da Costa, our Chief Financial Officer, Treasurer and a member of our Board of Directors is the principal of Da Costa Management Corp. During the nine-month period ended October 31, 2018, we accrued \$30,000 to Da Costa Management Corp. for services provided by them.

At July 31, 2018, as part of the debt restructuring initiative, Da Costa Management Corp. agreed to forgive \$721,947 the Company accrued for the services provided by Da Costa Management Corp.

Transactions with Fladgate Exploration Consulting Corporation

We pay Fladgate Exploration Consulting Corporation ("Fladgate") for mineral exploration and corporate communication services. Caitlin Jeffs, our Chief Executive Officer, Secretary and a member of our Board of Directors, and Michael Thompson, our Vice President of Exploration and a member of our Board of Directors are the principals of Fladgate, each owning 33% of the interest in the company. During the nine-month period ended October 31, 2018, we did not have any transactions with Fladgate, except for \$7,259 in interest we accrued on unpaid invoices.

At July 31, 2018, as part of the debt restructuring initiative, Fladgate agreed to forgive \$361,163 the Company owed for the services provided by Fladgate, of which \$215,067 represented interest accrued on unpaid invoices, which accumulated a 10% simple interest. Furthermore, Fladgate agreed to forgive \$55,302 in interest accrued on the demand notes payable the Company issued to Fladgate and to extend the repayment of principal under the notes payable for a three-year period commencing on July 31, 2018.

Transactions with Minera Farellon Limitada

We pay Minera Farellon Limitada (“Minera Farellon”) for rental of our Chilean office used by our Subsidiary, Minera Polymet SpA. During the nine-month period ended October 31, 2018, we accrued \$5,329 in rental fees.

At July 31, 2018, as part of the debt restructuring initiative, Minera Farellon agreed to forgive \$85,374 the Company owed Minera Farellon for the rental of our Chilean office and for non-interest bearing advances received.

Critical Accounting Estimates

Preparing financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain of the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. The Company regularly evaluates estimates and assumptions. The Company bases its estimates and assumptions on current facts, historical experience and various other factors it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company’s estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected. The most significant estimates with regard to these financial statements relate to carrying values of unproved mineral properties.

Reclassifications

Certain prior-period amounts in the accompanying consolidated interim financial statements have been reclassified to conform to the current period’s presentation. These reclassifications had no effect on the consolidated results of operations or financial position for any period presented.

Financial Instruments

Our financial instruments include cash, prepaids and other receivables, accounts payable, accrued liabilities, amounts due to related parties and notes payable. The fair value of these financial instruments approximates their carrying values due to their short maturities.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

As a smaller reporting company, we are not required to provide this disclosure.

Item 4. Controls and Procedures.

(a) Disclosure Controls and Procedures

Caitlin Jeffs, our Chief Executive Officer and President, and John da Costa, our Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures (as the term is defined in Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934) as of the end of the quarter covered by this report (the “Evaluation Date”). Based on their assessment, as of the Evaluation Date, our disclosure controls and procedures are not effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms due to lack of segregation of duties.

(b) Changes in Internal Control over Financial Reporting

During the quarter covered by this report, there were no changes to our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

We are not a party to any pending legal proceedings and, to the best of our knowledge, none of our properties or assets is the subject of any pending legal proceedings.

Item 1a. Risk Factors.

We incorporate by reference the Risk Factors included as Item 1A of our Annual Report on Form 10-K we filed with the Securities and Exchange Commission on May 14, 2018.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None

Item 3. Defaults upon Senior Securities.

None

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None

Item 6. Exhibits.

The following table sets forth the exhibits either filed herewith or incorporated by reference.

Exhibit Description

3.1.1	Articles of Incorporation ⁽¹⁾
3.1.2	Certificate of Amendment to Articles of Incorporation ⁽²⁾
3.2	By-laws ⁽¹⁾
10.1	Red Metal Resources Ltd. 2011 Equity Incentive Plan ⁽⁸⁾
10.2	Memorandum of Understanding between Minera Polymet Limitada and David Marcus Mitchel ⁽³⁾
10.3	Irrevocable Purchase Option Contract for Mining Property Quina 1-56 in Spanish ⁽⁴⁾
10.4	Irrevocable Purchase Option Contract for Mining Property Quina 1-56, English translation ⁽⁴⁾
10.5	Irrevocable Purchase Option Contract for Mining Property Exeter 1-54 in Spanish ⁽⁵⁾
10.6	Irrevocable Purchase Option Contract for Mining Property Exeter 1-54, English translation ⁽⁵⁾
10.7	Amendment to the Contract of Purchase and Sale of Mine Holdings dated for reference May 9, 2008, between Minera Polymet Limitada and Compañía Minera Romelio Alday Limitada, dated December 9, 2013; English translation. ⁽⁶⁾
10.8	Amendment to the Contract of Purchase and Sale of Mine Holdings dated for reference May 9, 2008, between Minera Polymet Limitada and Compañía Minera Romelio Alday Limitada dated December 9, 2013 in Spanish. ⁽⁶⁾
10.9	Letter of Intent between Red Metal Resources Ltd. and TomaGold Corporation dated for reference September 16, 2016 ⁽⁷⁾
10.10	Letter of Intent between Red Metal Resources Ltd. and Power Americas Minerals Corp. dated for reference February 28, 2017 ⁽⁹⁾
10.11	Lease Agreement for Mining Activities Within Farellon Alto Uno Al Ocho dated for reference August 22, 2018, between Minera Polymet Spa and Lucas Godoy Ocayo in Spanish
10.12	Lease Agreement for Mining Activities Within Farellon Alto Uno Al Ocho dated for reference August 22, 2018, between Minera Polymet Spa and Lucas Godoy Ocayo; English translation
31.1	Certification pursuant to Rule 13a-14(a) and 15d-14(a)
31.2	Certification pursuant to Rule 13a-14(a) and 15d-14(a)
32	Certification pursuant to Section 1350 of Title 18 of the United States Code
101	The following financial statements from the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2018, formatted in XBRL: (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statement of Stockholders' Deficit; (iv) Consolidated Statements of Cash Flows; and (v) Notes to the Interim Consolidated Financial Statements.

(1) Incorporated by reference from the registrant's registration statement on Form SB-2 filed with the Securities and Exchange Commission on May 22, 2006 as file number 333-134363.

(2) Incorporated by reference from the registrant's Quarterly report on Form 10-Q for the period ended October 31, 2010 and filed with the Securities and Exchange Commission on December 13, 2010.

(3) Incorporated by reference from the registrant's Current Report on Form 8-K, filed with the Securities and Exchange Commission on June 4, 2014.

(4) Incorporated by reference from the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 19, 2014.

(5) Incorporated by reference from the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 18, 2015.

(6) Incorporated by reference from the registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on May 2, 2016.

(7) Incorporated by reference from the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 22, 2016.

(8) Incorporated by reference from the registrant's registration statement on Form S-8 filed with the Securities and Exchange Commission on September 23, 2011.

(9) Incorporated by reference from the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 6, 2017.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: December 17, 2018

RED METAL RESOURCES LTD.

By: /s/ Caitlin Jeffs

Caitlin Jeffs, Chief Executive Officer
and President

By: /s/ Joao (John) da Costa

Joao (John) da Costa, Chief
Financial Officer

**Certification by Chief Executive Officer/President pursuant to
Rule 13a-14(a) of the Securities Exchange Act of 1934**

I, Caitlin Jeffs, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Red Metal Resources Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

December 17, 2018

/s/ Caitlin Jeffs

Caitlin Jeffs, Chief Executive Officer and President
(Principal Executive Officer)

**Certification by Chief Financial Officer pursuant to
Rule 13a-14(a) of the Securities Exchange Act of 1934**

I, Joao (John) da Costa, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Red Metal Resources Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

December 17, 2018

/s/ Joao (John) da Costa

Joao (John) da Costa, Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. 1350**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsection (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) each of the undersigned officers of Red Metal Resources Ltd. (the "Company") does hereby certify, to such officer's knowledge, that:

(a) The Quarterly Report on Form 10-Q for the period ended October 31, 2018, (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: December 17, 2018

/s/ Caitlin Jeffs

Caitlin Jeffs, Chief Executive Officer and President
(Principal Executive Officer)

/s/ Joao (John) da Costa

Joao (John) da Costa, Chief Financial Officer
(Principal Financial and Accounting Officer)

CONTRATO DE ARRENDAMIENTO

DE PERTENENCIAS MINERAS

FARELLON ALTO UNO AL OCHO

MINERA POLYMET SPA

A

LUCAS GODOY OCAYO

En Vallenar, a 22 de Agosto de dos mil dieciocho, comparecen: por una parte, doña **AMELIA SALIME MANSUR TAPIA**, chilena, soltera, cédula nacional de identidad número doce millones novecientos un mil novecientos once guión cinco, en representación según se acreditará de **MINERA POLYMET SPA**, sociedad chilena del giro de su denominación, rol único tributario número setenta y seis millones novecientos setenta y cinco mil doscientos sesenta guión nueve, ambas domiciliadas en Parcela veintinueve, sector Perales Viejos, comuna de Vallenar, en adelante indistintamente "el Arrendador", y por la otra, el señor **LUCAS ROGELIO GODOY OCAYO**, cédula nacional de identidad seis millones setecientos sesenta y siete mil setecientos sesenta y ocho guión cuatro, chileno, soltero, con domicilio en calle Compañía número dos mil cuatrocientos treinta y seis, población Rafael Torreblanca, ciudad y comuna de Vallenar, en adelante indistintamente "el Arrendatario". Los comparecientes mayores de edad, quienes acreditaron sus identidades con sus respectivas cédulas, exponen que han convenido en celebrar el siguiente contrato de arrendamiento.- **PRIMERO: CONCESION MINERA: MINERA POLYMET SPA**, es dueña de las pertenencias mineras denominadas **FARELLON ALTO UNO AL OCHO**, ubicadas en Sierra Pan de Azúcar, comuna de Freirina, Provincia de Huasco, tercera región de Atacama, cuya Acta de Mensura se encuentra inscrita a fojas uno número uno del Registro de Propiedad del año mil novecientos cuarenta y tres del Conservador de Minas de Freirina, cuyo dominio a su nombre se encuentra inscrito a **fojas ciento treinta y dos número veintiséis** del Registro de Propiedad correspondiente al año **dos mil ocho** del mismo Conservador.- **SEGUNDO: OBJETO DEL CONTRATO:** Por el presente instrumento doña Amelia Mansur Tapia en representación de **MINERA POLYMET SPA**, da en arrendamiento a don **LUCAS ROGELIO GODOY OCAYO** la pertenencia minera ya individualizada en la cláusula



primera, quien la acepta para sí con el objeto de explorarla y explotarla. La pertenencia minera se arrienda como cuerpo cierto, con todos sus usos, costumbres y servidumbres activas y pasivas, libre de todo gravamen y prohibición, respondiendo del saneamiento el arrendador en conformidad a la ley.- **TERCERO:** El Arrendatario estará facultado desde el día de la firma de este instrumento para preparar la faena de explotación respectiva, respondiendo de ello en conformidad a la ley. Será de exclusiva y completa responsabilidad del Arrendatario realizar todos los actos y gestiones tendientes a la explotación de la mina, entre las que se comprenderá la instalación de faena, de polvorín, reparación o mejoramiento de caminos y accesos, obtención de todos los permisos y autorizaciones tales como el Plan de Explotación de la mina otorgado por Sernageomin y el empadronamiento ante la Empresa Nacional de Minería -ENAMI-. Todas estas gestiones, entre otras, deberá realizarlas el Arrendatario bajo su nombre y costos.- **CUARTO: VIGENCIA:** La vigencia del presente contrato será de tres años a contar de la fecha en que se suscribe, plazo que se prorrogará automáticamente por periodos iguales y sucesivos si no se da aviso de término por escrito entre las partes, por intermedio de carta certificada notarial. Este aviso se deberá dar con un mínimo de ciento ochenta (180) días de anticipación a la fecha de término del primer periodo o de la prórroga correspondiente.- **QUINTO: CANON:** El Arrendatario se obliga a pagar una renta de arrendamiento consistente en (a) una regalía equivalente a un diez por ciento (10%) del valor bruto de los minerales que se extraigan de la pertenencia arrendada. Dicho porcentaje se establece para cualquier tipo de mineral que extraiga el arrendatario, con la expresa excepción del mineral de tipo Cobalto. De esta forma, las partes fijan una regalía especial equivalente a un 15% el valor bruto, exclusivamente para el caso que se extraiga Cobalto de la pertenencia arrendada; y (b) una regalía equivalente a \$1.500USD (mil quinientos dólares americanos) garantizados todos los meses, independientemente de si extrae minerales o no, de la pertenencia arrendada. Se hace presente que este pago solo comenzará a regir a partir del tercer mes de arriendo de las pertenencias es decir a partir del mes de Noviembre 2018, en adelante.- **SEXTO:** Para los efectos de determinar la renta de arrendamiento pactada en la cláusula anterior, letra (a), el valor de los minerales se establecerá en conformidad a la tarifa que ENAMI tenga en vigencia en el mes anterior a la fecha de pago de la renta de arrendamiento para productos de igual naturaleza que los extraídos por el Arrendatario en conformidad a este contrato. El peso de los minerales y la ley de los metales contenidos en ellos, se establecerá de acuerdo a la determinación que efectúe la casa compradora de los mismos para los efectos de proceder a su pago.- **SÉPTIMO:** El pago de las regalías en que consiste la renta de arrendamiento pactada se efectuará dentro de los treinta días siguientes a la venta o procesamiento de los minerales extraídos, según sea el caso, en el domicilio de la Arrendadora señalado en este instrumento, o bien por transferencia electrónica bancaria según acuerden las partes.- **OCTAVO:** Sin perjuicio de lo estipulado en la cláusula anterior, el Arrendatario don Lucas Rogelio Godoy Ocayo, ya individualizado, autoriza expresa e irrevocablemente a la Empresa Nacional de Minería, o a la casa compradora de los minerales provenientes de las pertenencias objeto del presente contrato, otorgando al efecto mandato especial y suficiente, para retener y descontar de las liquidaciones correspondientes un monto equivalente a un



diez por ciento (10 %), o de un 15 por ciento tratándose de mineral cobalto, correspondiente a anticipo de regalía pactada, y para entregar la suma resultante a la Arrendadora Minera Polymet SpA, o a quien sus derechos represente, a sólo requerimiento de ésta, otorgando al efecto mandato especial y suficiente para la retención, descuento y pago.- **NOVENO:** El pago de las patentes mineras que amparan las pertenencias objeto de este contrato será obligación del Arrendatario.-**DÉCIMO:** El Arrendatario se obliga a realizar la explotación de las pertenencias arrendadas en forma racional, llevando todos los trabajos o labores conforme a las normas del Reglamento de Seguridad Minera, el Código de Minería y demás cuerpos legales y reglamentarios aplicables a ella, y de forma de no deteriorar la mina respectiva, sus accesos y construcciones, o su eventual explotación futura, según sea el caso, utilizando para ello los métodos que la técnica mejor aconseja. Para verificar esta situación, el Arrendador queda facultado para que en compañía del Arrendatario, pueda visitar la mina una vez al mes, específicamente los días miércoles de la segunda semana de cada mes y exclusivamente para el fin señalado. Asimismo queda expresamente facultado el Arrendador para tener acceso, solicitar y recibir desde ENAMI todos los resultados de los muestreos de cobre, oro, plata, cobalto u otro mineral que realice el Arrendatario. Además el Arrendador tendrá acceso a todos los resultados obtenidos de la venta de mineral que realice el arrendatario a Enami u otro comprador, sin que pueda oponerse u objetar dicha petición el Arrendatario, debiendo entregar la documentación financiera en relación a estas ventas si así lo solicita el Arrendatario - **UNDÉCIMO: Muestreo:** Los procesos de muestreo y análisis de los minerales que se extraigan de la mina y entreguen a proceso en la planta deberán ser dirigidos y presenciados por la firma de Amelia Mansur o similar, o por otra empresa externa especializada designada de común acuerdo entre las partes o por el arbitro, a falta de acuerdo. Esta actividad deberá llevarse a cabo cada cuatro semanas, y se deberá obtener ensayos de cobalto, plata, oro y cobre en cada ocasión que se amerite. **DUODÉCIMO: Información técnica:** El arrendatario se compromete a entregar semestralmente a la Arrendadora un informe técnico de los procesos de exploración, preparación, desarrollo, explotación de la mina y proceso de los minerales. **DÉCIMO TERCERO:** El arrendatario será el único y total responsable de todo daño, perjuicio o deterioro que se cause o pueda causarse a la persona o bienes de la Arrendadora o de terceros, con motivo u ocasión de las labores que se realicen en las pertenencias arrendadas o en relación a éstas, sea por actos o hechos del propio Arrendatario o de cualquiera de sus representantes, dependientes o personal, sin responsabilidad alguna para la Arrendadora.- El Arrendador no responderá en manera alguna por los perjuicios que pudieran producirse u ocasionarse en los bienes o maquinarias de la parte arrendataria o de sus empleados o trabajadores.- **DÉCIMO CUARTO:** Será de exclusivo cargo y responsabilidad del Arrendatario la contratación del personal que requiera para el desarrollo de dichas labores, y el cumplimiento a su respecto de las obligaciones laborales, previsionales, de accidentes del trabajo y/o tributarias, en su caso, así como las demás normas legales y reglamentarias o que requiera cualquier autoridad, para la realización de las faenas de que se trata, sin que ninguna responsabilidad pueda caber o reclamarse a la Arrendadora por ninguno de estos conceptos y otros relacionados directa o



indirectamente con los anteriores.- **DÉCIMO QUINTO:** Queda absolutamente prohibido al Arrendatario traspasar o ceder, total o parcialmente el presente contrato a terceras personas.- **DÉCIMO SEXTO:** El Arrendador se reserva la facultad para investigar, reconocer, explorar y extraer minerales de sus pertenencias mineras, obligándose el Arrendatario a dar libre paso para estas actividades y de modo alguno entorpecer o perturbar esta facultad, la que se eleva a cláusula esencial del presente arriendo, motivando el término inmediato del contrato en caso de incumplimiento.- **DÉCIMO SEPTIMO:** Las partes acuerdan que, en caso que MINERA POLYMET SPA, o cualquiera otro tercero autorizado por MINERA POLYMET SPA, construya una planta en las pertenencias mineras arrendadas, el Arrendatario debe vender sus minerales exclusivamente a esa planta.

DÉCIMO OCTAVO: Al término del arrendamiento, el Arrendatario deberá restituir las pertenencias objeto del mismo, libres de todo ocupante, laboreo y/o actividad. Toda mejora que efectuare la parte arrendataria en las pertenencias arrendadas será de su exclusivo costo y quedará a beneficio de la mina, sin que el arrendador deba pagar por ellas, exceptuando aquellas que puedan ser retiradas, tales como containers, equipos, herramientas otras especies de propiedad del Arrendatario, quien en caso de querer retirarlas deberá hacerlo dentro de los veinte días de terminado el contrato, a su costa.-

DÉCIMO NOVENO: El incumplimiento por parte del Arrendatario de cualquiera de las obligaciones que le impone el presente contrato, dará derecho a la Arrendadora para poner término anticipado al mismo, de inmediato, sin necesidad de requerimiento alguno y sin forma de juicio. Lo anterior, sin perjuicio del derecho de la Arrendadora para obtener, además, la indemnización por los perjuicios efectivamente causados por el incumplimiento.- Si el incumplimiento consistiere en la falta o retraso en el pago de la renta del arrendamiento, fijada mediante la regalía antes señalada, la renta o rentas insolutas devengarán el interés máximo convencional para operaciones no reajustables, entre la fecha de la mora o simple retardo y la fecha del pago efectivo, sin perjuicio de las sanciones previstas en el párrafo anterior. La venta de minerales a nombre de una persona distinta al titular de este contrato dará término inmediato al mismo.- **VIGÉSIMO:** En caso que la Arrendataria, incumpliere cualquiera de las normas del Reglamento de Seguridad Minera y demás cuerpos legales y reglamentarios aplicables a ella, verificándose esta situación, ya sea por fiscalización del Semageomin o de revisión por parte del Arrendador, dará derecho a este último a solicitar el término inmediato del presente contrato, sin perjuicio del derecho que tiene además a que el arrendatario le indemnice los perjuicios que dicha circunstancia le hubiese ocasionado, los cuales se avalúan, anticipadamente y de común acuerdo, en la cantidad de \$3.000.000.- (tres millones de pesos). **VIGÉSIMO PRIMERO:** Las partes fijan su domicilio en la ciudad de Vallenar, sometiéndose a la competencia de sus tribunales de justicia.- **VIGÉSIMO SEGUNDO:** Este contrato deja sin efecto cualquier otro contrato de cualquier naturaleza celebrado entre la arrendadora y la arrendataria con anterioridad, en relación a las pertenencias de que el mismo trata.- **VIGÉSIMO TERCERO:** De conformidad al artículo setenta y cinco del Código Tributario, el Arrendador declara que es contribuyente del impuesto de primera categoría de la Ley de Impuesto a la



Renta y que tributa en base a renta efectiva.- **VIGÉSIMO CUARTO:** La Personería de doña Amelia Mansur Tapia para representar a **MINERA POLYMET SPA** consta de escritura pública de Mandato Especial de fecha veintiocho de Marzo de dos mil dieciocho, otorgada ante el Notario Público de la Segunda Notaría de Santiago, don Francisco Javier Leiva Carvajal, el cual se exhibe en este acto al notario que autoriza y no se inserta por estimarse innecesario.- **VIGÉSIMO QUINTO:** Los gastos que origine la suscripción del presente contrato serán de cargo de la parte arrendataria .- **VIGÉSIMO SEXTO:** Los comparecientes confieren mandato especial al abogado don Daniel Eduardo Aróstica Gahona, cédula nacional de identidad número dieciséis millones cuatrocientos cincuenta mil ciento ochenta y tres guión tres, a quien facultan para que los represente con poderes suficientes en lo que respecta a otorgar y suscribir los instrumentos públicos y privados necesarios para aclarar y rectificar los errores y subsanar las omisiones en que se pueda haber incurrido en el presente instrumento. El mandatario queda relevado de la obligación de rendir cuenta de este mandato.- Se faculta al portador de copia autorizada de esta escritura para requerir las inscripciones y subinscripciones que procedan.

Minuta redactada por el abogado don Daniel Aróstica Gahona, de acuerdo a instrucciones expresas otorgadas al efecto por los comparecientes.



AMELIA SALIME MANSUR TAPIA

MINERA POLYMET SPA



LUCAS ROGELIO GODOY OCAÑO

Firmaron ante mí don AMELIA SALIME MANSUR TAPIA C.I.Nº 12.901.911-5.-
y don LUCAS ROGELIO GODOY OCAÑO C.I.Nº 6.767.768-4.-
Vallenar, 22 de agosto de 2018.-
*INSTRUMENTO REDACTADO EN FORMA EXTERNA A LA NOTARIA, SIN ULTERIOR
RESPONSABILIDAD DEL NOTARIO.-



LEASE AGREEMENT

FOR MINING ACTIVITIES WITHIN

FARELLON ALTO UNO AL OCHO

MINERA POLYMET SPA

AND

LUCAS GODOY OCAYO

In Vallenar, on the 2ND day of August of two thousand eighteen, the appearing parties, Mrs. AMELIA SALIME MANSUR TAPIA, Chilean, single, national identity number twelve million nine hundred one thousand nine hundred eleven dash five, in representation of **MINERA POLYMET SPA**, Chilean company of the business purpose of its name, tax number seventy six million nine hundred seventy five thousand two hundred sixty dash nine, both domiciled in Parcela veintinueve, sector Perales Viejos, township of Vallenar, hereinafter called "the Lessor", and Mr. LUCAS ROGELIO GODOY OCAYO, national identity number six million seven hundred sixty seven thousand seven hundred sixty eight dash four, Chilean, single, domiciled at calle Compania number two thousand four hundred thirty-six, Rafael Torreblanca village, township of Vallenar, hereinafter indistinctly called "the Lessee". The parties, of the age of majority, who provided proof of identity with their respective documents, hereby agree on the following lease agreement- **FIRST: MINING CONCESSION: MINERA POLYMET SPA**, owns the mining properties called **FARELLON ALTO UNO AL OCHO**, located in Sierra Pan de Azucar, township of Freirina, Province of Huasco, third region of Atacama, whose Mining Patent is registered on page one number one of the Property Registry of the year one thousand nine hundred forty-three of the Mining Registry of Freirina, whose domain name is registered on **page one hundred thirty-two number twenty-six** of the Property Registry of the **year two thousand eight** of the same Office.- **SECOND: PURPOSE:** By this instrument Mrs. Amelia Mansur Tapia on behalf of **MINERA POLYMET SPA**, is leasing to Mr. **LUCAS ROGELIO GODOY OCAYO** the mining properties above-mentioned, who accepts

the lease for such purpose of conducting exploration and exploitation activities. The mining properties are being leased with all its uses and easements, free of liens and prohibitions, meeting the sanitation requirements by the lessor in compliance with the law. -**THIRD:** The lessee is entitled to, from the day of the signature of this instrument, to prepare the exploitation site in compliance with the law. It shall be the Lessee's exclusive and entire responsibility to perform all actions and activities aimed to the exploitation of the mine, which shall include the installation of the site, ammunition dump, repair or improvement of roads and land accesses, obtaining all the permits and authorizations such as the Exploitation Plan for the mine granted by Sernageomin and the registration before the National Mining Company -ENAMI-. All these activities, among others, shall be performed by the Lessee under his name and cost.- **FOURTH: VALIDITY:** The validity of this contract shall be three years from the date of its execution, it shall be extended automatically for equal and successive periods if no notice of termination is provided in writing by one of the parties, along with a notarized certified letter. This notice should be given within one hundred and eighty (180) days prior to the termination date of the first period or the respective extension. **FIFTH: ROYALTY:** The lessee undertakes to pay a rent consisting of (a) a royalty equal to ten per cent (10%) of the gross value of the ores extracted from the leased properties. This percentage is set to any type of ore extracted by the lessee, except for Cobalt. In this way, the parties set a special royalty equivalent to 15% of the gross value, exclusively when cobalt is extracted from the leased properties; and (b) a royalty equivalent to USD\$1,500 guaranteed every month, regardless of whether or not mining operations are performed in the leased properties. This payment shall enter into force after the third month of the lease, from November 2018 on. **SIXTH:** For the purposes of setting the royalty agreed in the above clause, letter (a), the value of the ores is established in accordance to the rate that ENAMI has in effect in the month prior to the date of payment of the royalty for similar ores to the ores extracted by the lessee in accordance with this agreement. The weight of the ores and metals shall be established according to the buyer's assessment to, subsequently, proceed with the payment. **SEVENTH:** The royalty payments set forth herein shall be made within the following thirty days from the date of the sale or when the ores were extracted, as the case may be, at the Lessor's address set forth in this instrument, or by electronic transfer as agreed by the parties.- **EIGHTH:** Notwithstanding the foregoing, the lessee Mr. Lucas Rogelio Godoy Ocayo, expressly and irrevocably authorizes to the National Mining Company (ENAMI), or the buyer of the ores from the properties subject to this agreement, to retain and deduct from the respective settlements, an amount equivalent to

ten percent (10%), or 15 percent for cobalt, as an advance payment to the agreed royalty, and to deliver this sum to the lessor, Minera Polymet SpA, or its representatives, upon

request, giving with this, power to retain, deduct, and pay. **NINTH:** The payment of the mining patents subject to this contract, shall be the Lessee's responsibility.- **TENTH:** The Lessee undertakes to carry out the exploitation of the leased properties in a reasonable manner, performing all the work in accordance with the rules of the Mining Safety Act, Mining Code and other applicable bodies, not damaging the respective mine, accesses or constructions, or its eventual exploitation, and using the best techniques. To verify this, the Lessor is entitled to visit the mine once a month, specifically the second Wednesday of each month and only for the purpose described above. Furthermore, the Lessor is expressly authorized to access, request, and receive from ENAMI all the sampling results of copper, gold, silver, cobalt, or any other ore extracted by the Lessee. In addition, the Lessor shall have access to all the results obtained from the sale of ore to ENAMI or another buyer, without any objection from the Lessee, and the Lessee must submit financial documentation related to these sales if so requested by the Lessor -

ELEVENTH: Sampling: The process of sampling and analysis of the ores extracted from the mine and delivered to the plant must be conducted and witnessed by Amelia Mansur, or another specialized third company set by mutual agreement between the parties or by the arbitrator, if absence of an agreement. This activity should be carried out every four weeks, and it should gather cobalt, silver, gold, and copper assays each time. **TWELFTH: Technical information:** The lessee undertakes to submit twice a year to the lessor, a technical report of the process of exploration, preparation, development, exploitation of the mine and processing ores. **THIRTEENTH:** The lessee shall be fully liable for any damage, harm or loss to the person or Lessor's property or third parties, resulting from the work carried out in the leased properties, arising out of acts from the own Lessee or any of his representatives, employees or workers, being the Lessor released from any liability. The Lessor shall not respond in any way for any damages that may result or arise out of the Lessee's assets or machinery or his employees or workers.- **FOURTEENTH:** It shall be the Lessee's sole responsibility to recruit staff to perform such work, and comply with the labor, pension, employment injury and/or tax obligations, as the case may be, as well as other legal rules and regulations or in the event of requiring any authorization for the performance of such activities, releasing the Lessor from any liability, directly or indirectly related to these activities.-

FIFTEENTH: Under no circumstances shall the Lessee transfer or assign the whole or any part of this agreement to third parties. **SIXTEENTH:** The Lessor has the right to investigate, recognize, explore and extract ores from her mining properties, requiring the Lessee to give free access to carry out these activities and in any way hinder or interfere this power, which constitutes the essential clause of this agreement, causing immediate termination of the lease in case of breach of agreement. **SEVENTEENTH:** The parties agree that, in case that MINERA POLYMET SpA, or any other authorized third party by MINERA POLYMET SpA, builds a plant in the leased mining claims, the Lessee must sell his ores exclusively to said plant.

EIGHTEENTH: Upon termination of the lease, the Lessee must return the subject properties, free of any occupants. Any improvements made by the Lessee in the leased properties shall be at his own expense and remain in the mine, which shall not entail the Lessor to pay for them, except those that can be removed, such as containers, equipment, tools other instruments owned by the Lessee, who, in case of removing them, must do so within twenty days of the termination of the agreement, at his expense. **NINETEENTH:** A breach of agreement caused by any of the Lessee's obligations set out in this agreement, will give the Lessor the right to immediately terminate this agreement, without any special requirement or trial. Notwithstanding the above, the Lessor has the right to obtain compensation for damages caused by the breach. Should the breach be due to failure or delay of payment, set out by the above-mentioned royalty, the rent or unpaid rents will earn the maximum conventional interest for non-adjustable operations, between the default date or simple delay and the date of effective payment, notwithstanding the penalties set out in the above paragraph. The sale of ores on behalf of a person other than the holder of this agreement, will give immediate termination to the same.- **TWENTIETH:** In the event that the Lessee fails to comply with any of the rules of the Mining Safety Regulation and other applicable legal and regulatory bodies, verifying this situation, either by inspection from Sernageomin or by the Lessor, will give the latter party the right to request immediate termination to this agreement, notwithstanding the right that he has and, in addition, the Lessee can ask for compensation for damages that this circumstance would have caused, which is assessed in advance and by common agreement, in the amount of \$ **3,000,000.-** (three million pesos). **TWENTY-FIRST:** The parties set their addresses in the city of Vallenar, subject to the jurisdiction of the court of justice of said city.- **TWENTY-SECOND:** This agreement revokes any prior agreement of any kind between the lessor and lessee, in relation to the properties referred to herein. **TWENTY-THIRD:** According to the article seventy-five of the Tax Code, the Lessor declares being a taxpayer under first category as per the Income Tax Act

and that the taxes are based on real income-**TWENTY-FOURTH:** The legal capacity of Mrs. Amelia Mansur Tapia to represent MINERA POLYMET SpA is evidenced in a notarial affidavit of power of attorney dated the twenty-eighth day of March of two thousand eighteen, executed before the Notary Public of the Second Notary of Santiago, Mr. Francisco Javier Leiva Carvajal, which is not included for being known by the parties and the Notary that authorizes.- **TWENTY-FIFTH:** The costs arising from the present agreement will be paid by the Lessee **TWENTY-SIXTH:** The appearing parties confer power of attorney to Mr. Daniel Eduardo Arostica Gahona, lawyer, national identity number sixteen million four hundred fifty thousand one hundred eighty-three dash three, who has been authorized to represent the parties with enough powers in regards to issue and sign public and private instruments needed to clarify and rectify errors and correct omissions that may have incurred in this instrument. The appointed representative is released of any obligations accounted for this power. The bearer has an authorized copy of this instrument to require registrations that might arise.

This minute has been written by Mr. Daniel Arostica Gahona, lawyer, as per specific instructions issued by the appearing parties.

AMELIA SALIME MANSUR TAPIA

MINERA POLYMET SPA

LUCAS ROGELIO GODOY OCAYO

Signed before me Mrs. AMELIA SALIME
MANSUR TAPIA ID 12.901.911-5.- and
Mr. LUCAS ROGELIO GODOY OCAYO ID
6.767.768-4.- Vallenar, AUGUST 22,
2018.-

* THIS INSTRUMENT HAS BEEN WRITTEN
EXTERNALLY, THE NOTARY HAS NO
FURTHER RESPONSIBILITY.