K2 Gold Corporation

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

In Canadian Dollars

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
K2 Gold Corporation

We have audited the accompanying financial statements of K2 Gold Corporation, which comprise the statement of financial position as at December 31, 2017 and the statements of loss and comprehensive loss, cash flows and changes in equity (deficit) for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of K2 Gold Corporation as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about K2 Gold Corporation's ability to continue as a going concern.

Other Matters

The consolidated financial statements of K2 Gold Corporation for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on April 20, 2017.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

April 26, 2018

K2 Gold Corporation
Statements of Financial Position
(Amounts are expressed in Canadian Dollars)

	Notes	December 31, 2017	December 31, 2016
Assets			
Current Assets			
Cash		$ 403,411	$ 1,533,672
Amounts receivable		49,170	18,138
Prepaid expenses		38,434	31,188
Investments		25,000	-
Marketable securities	6	48,568	22,076
		564,583	1,605,074
Exploration and evaluation assets	4	2,259,809	397,431
TOTAL ASSETS		$ 2,824,392	$ 2,002,505
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities		$ 54,550	$ 187,291
		54,550	187,291
Shareholders' Equity			
Share capital	5	13,118,108	11,674,091
Reserves	5	3,144,313	2,559,065
Accumulated other comprehensive income		37,530	11,038
Deficit		(13,530,109)	(12,428,980)
		2,769,842	1,815,214
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 2,824,392	$ 2,002,505

Nature of operations and going concern *(Note 1)*
Subsequent event *(Note 12)*

APPROVED ON BEHALF OF THE BOARD:

"Stephen Swatton", President, CEO and Director

"Craig Roberts", Director

K2 Gold Corporation
Statements of Loss and Comprehensive Loss
(Amounts are expressed in Canadian Dollars)

		2017		2016
Expenses				
Advertising, marketing and promotion	$	127,602	$	24,367
Consulting		151,313		8,750
Corporate listing and filing fees		34,641		47,996
Interest expense		235		6,291
Office and administration		60,218		13,820
Personnel		235,648		159,917
Project Evaluation		-		4,856
Professional fees		59,754		41,088
Rent		40,428		14,081
Share-based compensation		404,544		7,200
Travel and conferences		36,059		15,299
Loss Before the Undernoted		(1,150,442)		(343,665)
Other Income (Expenses)				
Camp removal costs		-		(35,692)
Permit extension expense		-		(1,470)
Recovery of accounts payable		-		905
Income on amortization of flow-through premium		49,313		-
Loss for the Year		(1,101,129)		(379,922)
Unrealized gain on marketable securities (Note 6)		37,530		8,830
Loss and Comprehensive Loss for the Year	$	(1,063,599)	$	(371,092)
Loss per share – basic and diluted	$	(0.07)	$	(0.08)
Weighted average number of common shares outstanding		16,335,370		4,930,562

K2 Gold Corporation
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016
(Amounts are expressed in Canadian Dollars)

Cash Provided By (Used In):	**2017**	**2016**
Operations:		
Loss for the year	$ (1,101,129)	$ (379,922)
Items not affecting cash:		
Interest expense	-	6,291
Share-based compensation	404,544	7,200
Amortization of flow-through premium liability	(49,313)	-
Change in non-cash working capital:		
Amounts receivable	(31,032)	(17,809)
Prepaid expenses	(2,891)	(29,744)
Accounts payable and accrued liabilities	(108,237)	4,077
	(888,058)	(409,907)
Investing:		
Exploration and evaluation expenditures	(1,391,237)	(211,674)
Investments	(25,000)	-
	(1,416,237)	(211,674)
Financing:		
Proceeds from issuance of shares	1,199,990	2,240,000
Share issue costs	(57,106)	(18,725)
Proceeds from exercise of warrants	31,150	-
Proceeds from loans	-	30,000
Repayment of promissory notes and interest	-	(98,167)
	1,174,034	2,153,108
Net increase (decrease) in cash	(1,130,261)	1,531,527
Cash - beginning of year	1,533,672	2,145
Cash - end of year	$ 403,411	$ 1,533,672

Supplemental Schedule of Non-Cash Investing and Financing Activities

Exploration and evaluation assets included in accounts payable	$ 6,898	$ 35,757
Shares issued for exploration and evaluation assets	$ 500,000	$ 150,000
Fair value allocation of units issued	$ 158,007	$ 404,000
Fair value of warrants exercised	$ 8,989	$ -
Fair value of warrants issued as finder’s fees	$ 31,686	$ 20,654

K2 Gold Corporation
(An Exploration Stage Company)
Statement of Changes in Equity (Deficit)
(Amounts are expressed in Canadian Dollars)

	Share Capital			Accumulated Other Comprehensive		
	Shares #	Amount $	Reserves $	Income $	Deficit $	Total $
Balance, December 31, 2015	**1,315,137**	**9,832,270**	**2,022,411**	**2,208**	**(12,049,058)**	**(192,169)**
Private placements	12,000,000	2,240,000	-	-	-	2,240,000
Share issue costs	-	(18,725)	-	-	-	(18,725)
Fair value of warrants	-	(516,000)	516,000	-	-	-
Fair value of finders' fees warrants	-	(20,654)	20,654	-	-	-
Bonus shares issued	90,000	7,200	-	-	-	7,200
Shares issued for property	500,000	150,000	-	-	-	150,000
Unrealized gain on marketable securities	-	-	-	8,830	-	8,830
Loss for the year	-	-	-	-	(379,922)	(379,922)
Balance, December 31, 2016	**13,905,137**	**11,674,091**	**2,559,065**	**11,038**	**(12,428,980)**	**1,815,214**
Private placements	2,301,400	647,483	158,007	-	-	805,490
Private placements – flow-through shares	986,250	394,500	-	-		394,500
Flow-through premium	-	(49,313)	-	-	-	(49,313)
Share Issue costs	-	(88,792)	31,686	-	-	(57,106)
Shares issued for exploration and evaluation assets	1,100,000	500,000	-	-	-	500,000
Exercise of warrants	89,000	40,139	(8,989)	-	-	31,150
Share based compensation	-	-	404,544	-	-	404,544
Unrealized gain on marketable securities	-	-	-	26,492	-	26,492
Loss for the year	-	-	-	-	(1,101,129)	(1,101,129)
Balance, December 31, 2017	**18,381,787**	**13,118,108**	**3,144,313**	**37,530**	**(13,530,109)**	**2,769,842**

1. Nature of Operations and Going Concern

K2 Gold Corporation ("K2 Gold" or the "Company") was incorporated on May 3, 2011, pursuant to the Business Corporations Act of British Columbia, Canada. The Company's head office is located at Suite 1020 – 800 West Pender St., Vancouver, BC, V6C 2V6. The Company's common shares are publicly listed on the Toronto Stock Exchange's Venture Exchange (the "Exchange") under the symbol "KTO".

K2 Gold is an exploration stage company with its primary focus being its 90% option to the Wels Gold Property located in the Yukon Territory.

The recoverability of amounts shown as mineral property interests is dependent upon the discovery of economically recoverable reserves, the Company's ability to obtain financing to develop its property and the ultimate realization of profits through future production or sale of its property. Realized values may be substantially different than carrying values as recorded in these financial statements.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to continue its operation as a going concern for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. At December 31, 2017, the Company had not achieved profitable operations and had an accumulated deficit. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

Although the Company has been successful in the past in obtaining financing, there can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations, exploration and development activities.

2. Basis of Presentation

a) Statement of Compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the international Accounting Standards Board ("IASB") and the International Financial Interpretations Committee ("IFRIC").

These financial statements have been prepared on a historical cost basis except for financial instruments classified as available-for-sale and financial assets at fair value through profit or loss, which are stated at their fair values. In addition, these financial statements have been prepared using the accrual basis of accounting.

The accounting policies set out in Note 3 have been applied consistently by the Company during the years presented.

2. Basis of Presentation – *Continued*

b) Approval of the Financial Statements

These financial statements were approved and authorized for issue by the Board of Directors on April 26, 2018.

c) Functional and Presentation Currency

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements.

These financial statements are presented in Canadian dollars, which is the Company's presentation and functional currency. The functional currencies of the Company's subsidiaries do not differ from that of the parent company.

Transactions in foreign currencies are translated into the functional currency at exchange rates as at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss. Foreign currency monetary assets and liabilities are translated at the functional currency exchange rate at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date of acquisition. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

d) Critical Accounting Judgments and Estimates

The following are the critical judgments and estimates that the Company has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Critical Judgments

The preparation of our financial statements requires us to make judgments regarding the Company's ability to continue as a going concern as discussed in note 1.

2. Basis of Presentation – *Continued*

d) Critical Accounting Judgments and Estimates – *Continued*

Key Sources of Estimation Uncertainty

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. Significant estimates made by management affecting the Company's financial statements include:

Deferred tax assets and liabilities

The measurement of the deferred tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of deferred taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company's deferred tax assets and tax provisions could be affected.

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of the Company's exploration and evaluation assets do not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development and upon future profitable production or proceeds from the disposition of the mineral property interests themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its mineral property interests or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

3. Significant Accounting Policies

a) Exploration and evaluation assets

Mineral property acquisition costs and related exploration costs, including option payments, are capitalized on an individual area of interest basis until the properties are brought into production, at which time they will be amortized on a unit-of-production basis, or until the properties are abandoned, sold or management determines that the mineral property is not economically viable, at which time the unrecoverable deferred costs are written off. Option payments arising on the acquisition of mineral property interests exercisable at the discretion of the Company are recognized as paid or payable.

Mineral property acquisition costs include cash consideration and the estimated fair value of common shares or warrants on the date of issue as provided under the agreed terms of acquisition for the mineral property interest.

Capitalized exploration and evaluation costs are those directly attributable costs related to the search for, and evaluation of, mineral resources, that are incurred after the Company has obtained the legal rights to explore a specific area and before the technical feasibility and commercial viability of a mineral reserve are demonstrable. Any costs incurred prior to obtaining the right to explore a mineral property are expensed as incurred as project evaluation expense in the statement of comprehensive loss.

Management reviews the carrying value of capitalized exploration and evaluation assets each reporting period for indications of impairment. Exploration and evaluation assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where information is available, and conditions suggest impairment, the fair value

of the mineral property is determined using the estimated net cash flows for the mineral property taking into account proven and probable reserves and resources, estimated future prices and operating, capital and reclamation costs. In the case of undeveloped projects, there may be only inferred or indicated resources to form a basis for the impairment review. In such cases, the impairment review is based on the exploration and evaluation results to-date and a status report regarding the Company's intentions for development of the mineral property.

Recovery of the resulting carrying value of exploration and evaluation assets depends on the successful development or sale of the undeveloped project. If a project does not prove viable, all non-recoverable costs associated with the project are written off.

Once an economically viable reserve has been determined for a property and the decision to proceed with development has been approved, acquisition, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to construction in progress within property and equipment.

The amount presented, if any, for exploration and evaluation assets represents costs incurred to date and does not necessarily reflect present or future values.

3. Significant Accounting Policies – *Continued*

b) Impairment

i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

ii) Non-financial assets

At each reporting date the carrying amounts of the Company's long-lived assets, which are comprised of equipment and capitalized exploration and evaluation costs associated with mineral properties, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset or its related cash generating unit. For purposes of impairment testing, assets are grouped at the lowest levels that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The Company's cash generating unit relates to the property being explored in Greenland.

ii) Non-financial assets

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the associated assets are reduced to their recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment charge is reversed through profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of any applicable depreciation, if no impairment loss had been recognized.

3. Significant Accounting Policies – *Continued*

c) Share-based compensation

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

Share-based payment arrangements in which the Company receives property or services as consideration for its own equity instruments are accounted for as equity settled share-based payment transactions. If the fair value of the property or service received cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the property or service.

d) Share Capital

i) The proceeds from the exercise of stock options, common share purchase warrants and purchase of common shares are recorded as share capital in the amount for which the option, warrant or share enabled the holder to purchase a common share in the Company.

ii) Share capital issued for non-monetary consideration is recorded at an amount based on fair value of these common shares.

iii) The proceeds from the issue of units is allocated between common shares and common share purchase warrants on a prorated basis using relative fair values of common shares and warrants. The fair value of common share purchase warrants is determined using the Black-Scholes option pricing model.

(iv) The Company may from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company separates the flow-through common share into i) a flow-through common share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital. When the resource property expenditures are incurred, the Company derecognizes the liability and recognized as other income.

All costs related to issuances of share capital are charged against the proceeds received from the related share capital.

3. Significant Accounting Policies – *Continued*

e) Restoration, rehabilitation, and environmental costs

An obligation to incur rehabilitation and site restoration costs arises when an environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. The Company is required to record as a liability the estimated present value of future cash flows associated with the statutory, contractual, constructive or legal obligations related to site restoration and rehabilitation when the liability is incurred, with a corresponding increase to the carrying value of the related assets.

The Company has no material restoration, rehabilitation or environmental liabilities as the disturbance to date are minimal.

f) Income Taxes

Income tax expense comprises current and deferred tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date. As the Company is in a loss position there is no current tax payable.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

g) Loss per Common Share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per common share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per common share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potentially dilutive share equivalents, such as stock options and warrants and assumes the receipt of proceeds upon exercise of the dilutive securities to determine the number of shares assumed to be purchased at the average market price during the period.

3. Significant Accounting Policies – *Continued*

h) Comprehensive Income

Comprehensive income or loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources and comprises net income or loss and other comprehensive income or loss. Financial assets that are classified as available for sale will have revaluation gains and losses included in other comprehensive income or loss until the asset is removed from the statement of financial position.

i) Financial instruments

The Company accounts for its financial instruments as follows:

Cash	Loans and receivables
Investments	Fair value through profit or loss
Marketable securities	Available-for-sale financial assets
Accounts payable and accrued liabilities and loans payable	Financial liabilities measured at amortized cost

Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities of greater than twelve months after the end of the reporting period, which are classified as non-current assets. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Financial Assets at Fair Value Through Profit or Loss

An instrument is classified at fair value through profit or loss if it is held for trading. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company has not designated any financial assets as fair value through profit or loss.

3. Significant Accounting Policies – *Continued*

i) Financial instruments – *Continued*

Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months of the end of the reporting period. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an instrument is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Financial Liabilities

Financial liabilities other than derivative liabilities are recognized initially at fair value and are subsequently stated at amortized cost. Transaction costs on financial assets and liabilities other than those classified at fair value through profit and loss are treated as part of the carrying value of the asset or liability. Transaction costs for assets and liabilities at fair value through profit and loss are expensed as incurred.

Impairment of Financial Assets

The Company assesses at the end of each reporting date whether there are indicators of impairment present for financial assets other than financial assets at fair value through profit and loss. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

An impairment loss in respect of a financial asset carried at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted using the instrument’s original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset that was previously recognized in profit or loss, is removed from equity and recognized in profit or loss.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

3. Significant Accounting Policies – *Continued*

j) Recent accounting pronouncements

Recent Accounting Pronouncements adopted:

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations ("IFRS 11") has been amended to provide specific guidance on accounting for the acquisition of an interest in a joint operation that is a business. IFRS 11 is effective on or after January 1, 2016. There is no effect on these financial statements.

IFRS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization ("IFRS 16 and IAS 38") have been amended to (i) clarify that the use of a revenue-based depreciation and amortization method is not appropriate, and (ii) provide a rebuttable presumption for intangible assets. IFRS 16 and IAS 38 are effective on or after January 1, 2016. There is no effect on these financial statements.

Recent Accounting Pronouncements not yet applied:

IFRS 9 Financial Instruments ("IFRS 9") partially replaces IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective on or after January 1, 2018. The adoption of this standard will require additional disclosure within the financial statements.

IFRS 16, Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. The adoption of this standard and amendments is not expected to have a material impact in the Company's financial statements.

(Amounts are expressed in Canadian Dollars)

4. Exploration and Evaluation Assets

Wels Property:	Acquisition Costs $	Deferred Exploration $	Total $
Balance, December 31, 2015	**-**	**-**	**-**
Legal	45,057	-	45,057
Advanced royalty payment	20,000	-	20,000
Cash payment	150,000	-	150,000
Shares issued	150,000	-	150,000
Geology	-	1,338	1,338
Geological consulting	-	14,724	14,724
Environmental	-	5,107	5,107
Land use and licenses	-	10,463	10,463
Travel	-	741	741
Balance, December 31, 2016	**365,057**	**32,373**	**397,430**
Cash payment	100,000		100,000
Advanced Royalty Payment	20,000		20,000
Shares issued	467,500	-	467,500
Geology	-	519,991	519,991
Aviation		258,048	258,048
Land use and licenses	-	8,736	8,736
Community Relations	-	83,874	83,874
Travel	-	77,305	77,305
Balance, December 31, 2017	**952,557**	**980,327**	**1,932,884**

Flume Property:	Acquisition Costs $	Deferred Exploration $	Total $
Balance, December 31, 2016 and 2015	**-**	**-**	**-**
Cash payment	25,000	-	25,000
Shares issued	32,500	-	32,500
Geology	-	91,874	91,874
Aviation	-	22,145	22,145
Land use and licenses	-	2,992	2,992
Travel	-	14,284	14,284
Balance, December 31, 2017	**57,500**	**131,295**	**188,795**

Storck Property:	Acquisition Costs $	Deferred Exploration $	Total $
Balance, December 31, 2016 and 2015	**-**	**-**	**-**
Aviation	-	34,441	34,441
Geology	-	39,862	39,862
Land use and licenses	-	1,931	1,931
Travel	-	695	695
Balance, December 31, 2017	**-**	**76,929**	**76,929**

(Amounts are expressed in Canadian Dollars)

4. Exploration and Evaluation Assets – *Continued*

Ladue Property:	Acquisition Costs $	Deferred Exploration $	Total $
Balance, December 31, 2016 and 2015	**-**	**-**	**-**
Aviation	-	33,336	33,336
Land use and licenses	-	1,144	1,144
Geology	-	26,721	26,721
Balance, December 31, 2017	**-**	**61,201**	**61,201**

Total Exploration and Evaluation:	Acquisition Costs $	Deferred Exploration $	Total $
Balance, December 31, 2016	**365,057**	**32,373**	**397,430**
Balance, December 31, 2017	**1,010,057**	**1,249,752**	**2,259,809**

Wels Property

The Company signed a definitive option agreement with Gorilla Minerals Corp. ("Gorilla") on August 11, 2016 and amended October 21, 2016 to acquire a 90% joint venture interest (subject an existing 3% net smelter return) in certain mineral property interests located in the Yukon Territory, known as the "Wels Property". According to the agreement, the Company will make cash payments aggregating $350,000 staged over 24 months and issue 3 million common shares staged over a 30-month period as follows:

		Cash option payments			Issuance of common shares	
Within 5 days after date of October 16, 2016	$	50,000	*	$	500,000	*
On or before September 30, 2016		100,000	*		-	
On or before February 11, 2017		-			500,000	*
On or before August 11, 2017		100,000	*		500,000	*
On or before February 11, 2018		-			500,000	
On or before August 11, 2018		100,000			500,000	
On or before February 11, 2019		-			500,000	
Total	**$**	**350,000**		**$**	**3,000,000**	**

* Paid/issued. These common shares were issued on October 27, 2016 at which time the Company's common shares had a market value of $0.30 per common share. Subsequent issues in February and August 2017 were at $0.52 and $0.415 per common share. Therefore, the fair value of these common shares was $150,000, $260,000, and $207,500 respectively, as at the time of their issuance.

** Upon completion of the payments and share issuances, the Company and Gorilla will proceed under the terms of a joint venture agreement (the "Joint Venture"). Under the Joint Venture, the Company will fund the project fully through completion of a preliminary economic assessment, following which project expenditures will be funded on a 90/10 proportionate basis between the Company and Gorilla, respectively, with the Company acting as project manager and holding voting control of the

(Amounts are expressed in Canadian Dollars)

4. Exploration and Evaluation Assets – *Continued*

Joint Venture project committee. If, at any time, either party's Joint Venture interest is diluted to less than 1.0%, that diluted party's interest will be cancelled, and the Joint Venture will terminate.

The existing 3% net smelter return ("NSR") is governed by a 2011 agreement between Gorilla and two arm's length holders. The royalty agreement provides that 2% of the 3% NSR may be purchased from the royalty holders for cash payment of $1,500,000. Pursuant to the Option Agreement, the Company will pay the $20,000 annual advance royalty due under the 2011 agreement.

Flume Property

During the year ended December 31, 2017, the Company entered into an option agreement with Commander Resources Ltd., ("Commander") to acquire up to a 100% interest in the Flume property located in the Yukon territory.

To earn 60% of the Commander property, the Company must spend $2 million in exploration ($200,000 firm commitment in year one**) and make staged cash and share payments as listed below.

		Cash option payments			Issuance of common shares	
Upon signing of agreement	$	25,000	*	$	100,000	*
First anniversary of the agreement		35,000	*		100,000	*
Second anniversary of the agreement		50,000			150,000	
Third anniversary of the agreement		75,000			150,000	
Fourth anniversary of the agreement		215,000			500,000	
Total	**$**	**400,000**		**$**	**1,000,000**	

* Paid/issued. The 100,000 common shares were issued on March 15, 2017 with a fair value of $32,500 on date of grant. The first anniversary cash and share issue payments were completed in April 2018.

** Commander acknowledged that the $132,295 spent in exploration during year one was sufficient to satisfy the firm commitment.

Upon fulfillment of the initial option conditions, the Company will have the right to a further 40% (total 100%) in the property by making an additional $3 million in expenditures, making additional cash payments of $250,000, and issuing a further 2 million shares to Commander. If the Company acquires a 100% interest the property and announces a production decision it will pay Commander either $10 million in cash or $5 million cash and $5 million in shares of the Company.

Storck Property

During the year ended December 31, 2017, the Company staked certain claims near the Flume property, referred to as the Storck Property.

Ladue Property

During the year ended December 31, 2017, the Company staked certain claims in the eastern Moosehorn Range area of the Yukon territory known as the Ladue property.

5. Share Capital

Authorized Share Capital

At December 31, 2017, the authorized share capital comprised an unlimited number of common shares without par value.

Issued Share Capital

On April 12, 2016, the Company issued 90,000 bonus shares to the lenders of the promissory notes (see Note 7). The fair value of the shares is $7,200, based on the Company's trading price on TSX-V on date of issue, which was recorded to share-based compensation

On June 28, 2016, the Company completed a non-brokered private placement of 4,000,000 units at $0.06 per unit for gross proceeds of $240,000. Each unit consisted of one common share and one warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.10 per share until June 28, 2019. Gross proceeds from this financing were allocated $128,000 to capital stock and $112,000 to warrant reserves based on their relative fair values. The Company paid $4,050 of share issue costs related to the private placement which was offset against capital stock.

On October 27, 2016, the Company completed a non-brokered private placement of 8,000,000 units at $0.25 per unit for gross proceeds of $2,000,000. Each unit consisted of one common share and one-half warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.35 per share until April 27, 2018. Gross proceeds from this financing were allocated $1,596,000 to capital stock and $404,000 to warrant reserves based on their relative fair values. The Company paid $14,675 of share issue costs related to the private placement which was offset against capital stock. The Company issued 136,200 of finders' fee warrants. Each warrant entitles the holder to purchase one additional common share at a price of $0.35 per share until April 27, 2018.

On Feb 10, 2017, the Company issued 500,000 shares with a value of $260,000 as per the option agreement with Gorilla (Note 4).

On March 15, 2017, the Company issued 100,000 shares as per the agreement with Commander regarding the Flume property (Note 4).

On June 28, 2017, the Company completed a non-brokered private placement of 2,301,400 units (the "Units") at a price of $0.35 per Unit and 986,250 flow-through shares (the "FT Shares") at a price of $0.40 per FT Share, for gross proceeds of $1,199,990 (the "Offering"). A flow-through premium of $49,313 was recorded in connection with the issuance of FT Shares.

Each Unit consisted of one common share of the Company (a "Share") and one-half of one nontransferable common share purchase warrant for a term of eighteen months (the "Warrants"). Each Warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of $0.55 per common share during the term of the Warrants, subject to the right of the Company to accelerate the expiry of the Warrants. If at any time after October 29, 2017 and during the Warrant Term, the common shares of the Company close at a price at or above $0.65 per share for more than 10 consecutive trading days (an "Acceleration Event") and the Company elects to accelerate the expiry of the Warrants and give notice, within five days of such Acceleration Event, to the holders that an Acceleration Event has occurred, then the expiry of the Warrants will be accelerated such that the Warrants will then terminate 30 calendar days after the Company gives such notice (the "Accelerated Expiry").

(Amounts are expressed in Canadian Dollars)

5. Share Capital - *Continued*

Issued Share Capital *- Continued*

In connection with the Offering, the Company entered into finder's fee agreements with four arm's length finders pursuant to which the Company issued 155,540 warrants ("Finder's Warrants") and paid cash finders' fees in the aggregate of $57,064 (the "Cash Finders Fee"). Each Finder's Warrant has the same terms as the Warrants issued under the Offering. The Finders warrants were attributed a value of $31,686 using a Black Scholes valuation model with the following assumptions: risk free rate of 1.05%, expected annual volatility of 116%, expected life of 1.5 years, expected dividend yield of 0%, and a share price at grant date of $0.37.

On August 11, 2017, the Company issued an additional 500,000 shares with a value of $207,000 as per the option agreement with Gorilla (Note 4).

During the year ended December 31, 2017, a total of 89,000 shares were issued on the exercise of warrants for total proceeds of $31,150. In connection with the issuance, a total of $8,989 equal to the grant date fair value of the warrants was transferred from reserves to share capital.

Warrants

Details of outstanding warrants are as follows:	Number of Warrants	Weighted Average Exercise Price
Outstanding warrants, December 31, 2015	178,310	$ 8.00
Issued	8,136,200	$ 0.23
Outstanding warrants, December 2016	8,314,510	$ 0.39
Issued	1,306,240	$ 0.55
Exercised	(89,000)	$0.35
Expired	(178,310)	$7.98
Outstanding warrants, December 31, 2017	9,353,440	$ 0.27

At December 31, 2017, the Company had outstanding warrants enabling the holders to acquire common shares as follows:

Expiry Date	Weighted Average Exercise Price	Number of Warrants	Weighted Remaining Contractual Life (in Years)
April 27, 2018	$0.35	4,047,200	0.32*
June 28, 2019	$0.10	4,000,000	1.49
December 28, 2018	$0.55	1,306,240	0.99
Weighted average exercise price and remaining contractual life	$0.27	9,353,440	0.91

* Subsequent to December 31, 2017, the Company extended the life of 4,000,000 warrants from April 27, 2018 to October 27, 2018.

(Amounts are expressed in Canadian Dollars)

5. Share Capital – *Continued*

Stock Options

Under the Company's stock option plan, the board of directors may grant options for the purchase of up to 10% of the total number of issued and outstanding common shares of the Company. Options granted under the plan vest over time at the discretion of the board of directors and expire no later than ten years from the date of issuance. Exercise prices on options granted under the plan cannot be lower than the market price of one common share on the last trading day immediately preceding the day on which the option is granted, less the maximum applicable discount permitted by the Exchange.

The changes in stock options issued are as follows:

	Number	Weighted Average Exercise Price
Outstanding December 31, 2016 and 2015	-	-
Issued	1,255,000	$0.30
Expired	(5,000)	$0.36
Outstanding, December 31, 2017	1,250,000	$0.30

The estimated grant date fair value of the options granted during the years ended December 31, 2017 and 2016 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31, 2017	December 31, 2016
Number of options granted	1,255,000	N/A
Risk-free interest rate	1.02%	N/A
Expected annual volatility	171%	N/A
Expected life	5 years	N/A
Expected dividend yield	0%	N/A
Grant date fair value per option	$0.32	N/A
Share price at grant date	$0.34	N/A

At December 31, 2017, the Company had outstanding options enabling the holders to acquire common shares as follows:

Expiry Date	Options outstanding	Options exercisable	Exercise price	Weighted Remaining Contractual Life (in Years)
May 1, 2022	1,200,000	1,200,000	$0.32	4.33
June 12, 2022	50,000	50,000	$0.46	4.45
	1,250,000	1,250,000	$0.30	4.34

6. Marketable Securities

On June 17, 2015, the Company entered into a debt settlement agreement with Bluestone Resources Inc. ("Bluestone") whereby Bluestone will issue 220,765 of its shares to settle the debt of $11,038 owing to the Company. The shares were issued on July 20, 2015. The Bluestone shares were on the basis of one (1) new post-consolidation share for every five (5) pre-consolidation shares, effective May 24, 2017. As a result of this consolidation, K2 Gold Corporation owns 44,153 shares in Bluestone Resources Inc.

Management has determined it appropriate to record the common shares of Bluestone as available-for-sale financial assets. The initial investment was recorded at cost. The Company will revalue the investments at each reporting period. Any changes in the fair value of the investments will be recorded in other comprehensive income ("OCI") until the investments are sold or otherwise disposed, at which point any gains and losses recorded to date will be recognized through profit or loss.

The fair value of these common shares as at July 20, 2015, the date of the receipt of Bluestone shares, was $11,038. The fair value as at December 31, 2017 was $48,568.

7. Loans Payable

During the years ended December 31, 2015 and 2016, the Company received a total of $90,000 of loans from various companies' controller by directors of the Company. The loans bear simple interest at a rate of 8% per annum, payable on demand. During the year ended December 31, 2016, there was $6,291 of interest accrued on the loans which was included in interest expense.

On January 27, 2016, the Company entered into new loan agreements with the lenders whereby the Company issued promissory noted to the lenders for the $90,000 of loans payable. In addition, the Company issued 90,000 bonus shares to the lenders on April 12, 2016. The new loans bear interest at 8% per annum. The loans were repaid during the year ended December 31, 2016, which included $90,000 of principal and $8,167 of accumulate interest expense.

8. Financial Instruments

a. Fair values

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The fair value of cash, amounts receivable, investments, and accounts payables and accrued liabilities approximates their carrying value due to their short-term maturity. Marketable securities are measured using level one of the fair value hierarchy.

8. Financial Instruments – *Continued*

b. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and amounts receivable. Cash is held with major Canadian financial institutions and amounts receivable primarily consist of GST recoverable are from Government entities. Management is of the view that all amounts are fully collectible.

c. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations and commitments as they become due. The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. Management believes that the Company has sufficient funds to meet its obligations as they become due or will be able to obtain financing as required to meet its obligations and commitments (see also note 1).

d. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and commodity and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company does not currently have any significant interest or equity price risk as it has no significant interest bearing financial instruments or significant investments in equities of another entity.

e. Foreign currency risk

In the normal course of business, the Company enters into transactions for the purchase of supplies and services and acquisition of mineral properties, denominated in a currency other than the functional currency of the Company. As a result, the Company is subject to foreign exchange risk from fluctuations in foreign exchange rates. The Company has not entered into any derivative or other financial instruments to mitigate this foreign exchange risk. The Company does not have any significant currency risks associated with its financial instruments at December 31, 2017.

(Amounts are expressed in Canadian Dollars)

8. Financial Instruments – *Continued*

f. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern so that it can provide returns and benefits for shareholders and advance the exploration of its mineral properties.

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital and reserves, net of accumulated deficit. The Company depends on external financing to fund its activities and may issue new equity instruments to maintain its capital structure. The Company manages its capital structure through the preparation of operating budgets, which are approved by the Board of Directors. There were no changes in the Company's approach to capital management during the year ended December 2017. The Company is not subject to any externally imposed capital requirements.

9. Related Parties

Key management personnel compensation

Key management personnel consist of the Company's directors and officers. In addition to management and consulting fees paid to these individuals, or companies controlled by these individuals, the Company provides non-cash benefits to an executive officer. The aggregate value of compensation with key management personnel for the year ended December 31, 2017 was $442,353 (December 31, 2016 - $165,450) and was comprised of the following:

	2017	2016
Personnel	174,896	158,250
Share-based compensation	267,457	7,200
	$ 442,353	$ 165,450

Related party transactions and balances not disclosed elsewhere in these financial statements are as follows:

The balance payable to related parties at December 31, 2017 was $Nil (December 31, 2016 - $134,450) and is included in accounts payable and accrued liabilities. These payables are unsecured, non-interest bearing and are expected to be repaid under normal trade terms.

The amounts charged to the Company for the services provided have been determined by negotiation among the parties and, in certain cases, are covered by signed agreements. These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

(Amounts are expressed in Canadian Dollars)

10. Income Taxes

Current Income Taxes

A reconciliation of income taxes at statutory rates is as follows:

		2017		2016
Loss for the year	$	(1,101,129)	$	(379,922)
A reconciliation of income taxes at Canadian statutory rate of:		27.00%		26.00%
Expected income tax recovery		(286,000)		(96,000)
Change in statutory rate and other		(120,000)		
Permanent and other differences		93,000		99,000
Impact of flow-through shares		103,000		-
Share issue costs		(15,000)		-
Adjustment to prior years provision versus statutory returns		(16,000)		-
Change in unrecognized deductible differences		241,000		(3,000)
Income tax expense (recovery)	$	-	$	-

In September 2017, the British Columbia (BC) Government proposed changes to the general corporate income tax rate to increase the rate from 11% to 12% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on October 26, 2017. The relevant deferred tax balances have been re-measured to reflect the increase in the Company's combined Federal and Provincial (BC) general corporate income tax rate from 26% to 27%.

At December 31, 2017, the Company had estimated net operating losses carried forward of approximately $3,935,000 in Canada (2016 - $3,229,000) (expiring in 2031 to 2037) available to reduce future taxable income. In addition to its loss carry-forwards, the Company has deductible temporary differences of approximately $6,442,000 (2016 - $6,734,000) relating primarily to exploration and evaluation costs, available to reduce future taxable income. Tax attributes are subject to review and potential adjustment by tax authorities.

(Amounts are expressed in Canadian Dollars)

10. Income Taxes – *Continued*

Deferred Taxes

The significant components of the Company's deferred tax assets that have not been included on the statement of financial position are as follows:

		December 31, 2017		December 31, 2016
Deferred Tax Assets (Liabilities)				
Exploration and evaluation assets	$	1,729,000	$	1,729,000
Share issue costs		17,000		5,000
Non-capital and capital available for future period		1,068,000		840,000
Equipment		18,000		17,000
		2,832,000		2,591,000
Unrecognized deferred tax assets		(2,832,000)		(2,591,000)
Net deferred tax assets	$	-	$	-

The future income tax rate that is estimated to be applicable when the temporary differences reverse is estimated to be 27%.

11. Segment Information

The Company operates in one reportable segment, being the acquisition, exploration and evaluation of mineral resources. All of the Company's equipment and exploration and evaluation assets are located in Canada.

12. Subsequent event

Subsequent to December 31, 2017, the Company extended the term of 4,000,000 common share purchase warrants with an exercise price of $0.35 per share which were set to expire on April 27, 2018 to October 27, 2018.

On February 6, 2018, the Company issued 500,000 common shares to Gorilla Minerals Corp. pursuant to the Wels agreement.

On April 4, 2018, the Company issued 100,000 common shares to Commander Resources Ltd. pursuant to the Flume agreement.