K2 Gold Corporation

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

In Canadian Dollars

Unaudited – Prepared by Management

Notice of Non-review of Condensed Interim Financial Statements

The attached condensed interim financial statements for the six-month period ended June 30, 2018 and 2017 have been prepared by and are the responsibility of the Company's management and have been approved by the Board of Directors of the Company. The Company's independent auditor has not performed a review of these condensed interim financial statements.

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

	Notes	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Assets			
Current Assets			
Cash		$ 854,475	$ 403,411
Amounts receivable		28,956	49,170
Prepaid expenses		49,702	38,434
Investments		25,000	25,000
Marketable securities	4	62,697	48,568
		1,020,830	564,583
Exploration and evaluation assets	5	2,452,413	2,259,809
TOTAL ASSETS		$ 3,473,243	$ 2,824,392
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities		$ 132,630	$ 54,550
Flow-through premium liability		7,151	-
		139,781	54,550
Shareholders' Equity (Deficit)			
Share capital	7	13,942,444	13,118,108
Reserves	7	3,462,967	3,144,313
Accumulated other comprehensive income		51,659	37,530
Deficit		(14,123,608)	(13,530,109)
		3,333,462	2,769,842
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		$ 3,473,243	$ 2,824,392

Nature of operations and going concern *(Note 1)*
Subsequent event *(Note 11)*

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)

		Three Months Ended June 30, 2018		Three Months Ended June 30, 2017		Six Months Ended June 30, 2018		Six Months Ended June 30, 2017
Expenses								
Advertising, marketing and promotion	$	29,536	$	22,451	$	51,478	$	50,666
Consulting		630		38,876		630		77,042
Corporate listing and filing fees		12,733		13,620		21,435		26,191
Office and administration		15,428		12,206		23,639		20,310
Personnel		70,866		68,576		133,348		126,077
Professional fees		14,772		6,270		15,721		13,836
Rent		7,478		7,884		16,922		20,484
Share-based compensation		-		404,544		-		404,544
Travel and conferences		10,140		9,961		24,061		15,293
Loss Before the Undernoted		(161,583)		(584,388)		(287,234)		(754,443)
Other Income (Expenses)								
Interest income		1,224		-		2,362		-
Amortization of FT premium liability		8,849		-		8,849		-
Recovery of accounts payable		-		-		25		-
Write-off of exploration and evaluation assets		(317,501)		-		(317,501)		-
Loss for the Period		(469,011)		(584,388)		(593,499)		(754,443)
Unrealized gain (loss) on marketable securities		7,506		94,193		14,129		94,193
Comprehensive Loss for the Period	$	(461,505)	$	(490,195)		(579,370)		(660,250)
Loss per share – basic and diluted	$	(0.02)	$	(0.03)		(0.03)		(0.05)
Weighted average number of common shares outstanding		19,792,732		14,582,404		19,237,566		14,392,532

- The accompanying notes are an integral part of these financial statements -

K2 Gold Corporation
Condensed Statements of Cash Flows
For the Six Months Ended June 30, 2018 and 2017
(Amounts are expressed in Canadian Dollars)

Cash Provided By (Used In):	**2018**	**2017**
Operating activities:		
Net loss for the period	$ (593,499)	$ (754,443)
Items not involving cash:		
Amortization of FT premium liability	(8,849)	-
Share-based compensation	-	404,544
Write-off of exploration and evaluation assets	317,501	-
Change in non-cash working capital items:		
GST recoverable	49,170	(4,363)
Accounts receivable	(28,956)	-
Prepaid expenses	(11,268)	10,110
Accounts payable and accrued liabilities	12,465	(70,678)
	(263,436)	(414,830)
Investing activities:		
Exploration and evaluation expenditures	(296,990)	(550,640)
	(296,990)	(550,640)
Financing activities:		
Proceeds from issuance of shares	1,032,889	1,199,990
Share issue costs	(21,399)	(57,064)
Proceeds from convertible loans	-	-
Proceeds from warrants exercised	-	13,607
	1,011,490	1,156,533
Net increase (decrease) in cash	451,064	191,063
Cash, beginning of period	403,411	1,533,672
Cash, end of period	$ 854,475	$ 1,724,735

- The accompanying notes are an integral part of these financial statements -

K2 Gold Corporation
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, 2016	**13,905,137**	**11,674,091**	**2,559,065**	**11,038**	**(12,428,980)**	**1,815,214**
Shares issued for option payment	500,000	150,000	-	-	-	150,000
Shares issued for option payment	100,000	35,000	-	-	-	35,000
Warrant Exercise	15,000	5,250	-	-	-	5,250
Warrant Exercise	24,000	8,357	-	-	-	8,357
Share Issue	2,301,400	805,490	-	-	-	805,490
Share Issue	986,250	394,500	-	-	-	394,500
Unrealized gain on marketable securities	-	-	-	94,193	-	94,193
Share issuance costs	-	(88,750)	31,686	-	-	(57,064)
Share base compensation	-	-	404,544	-	-	404,544
Loss for the period	-	-	-	-	(754,443)	(754,443)
Balance, June 30, 2017	**17,831,787**	**$ 12,983,938**	**$ 2,995,295**	**$ 105,231**	**$ (13,183,423)**	**$ 2,901,041**
Balance, December 31, 2017	**18,381,787**	**13,118,108**	**3,144,313**	**37,530**	**(13,530,109)**	**2,769,842**
Shares issued for exploration & evaluation assets	500,000	122,500	-	-	-	122,500
Shares issued for property acquisition	100,000	25,000	-	-	-	25,000
Private placement – flow-through	320,000	96,000	-	-	-	96,000
Private placement – non-flow-through	3,802,000	950,500	-	-	-	950,500
Share issuance costs – cash	-	(35,010)	-	-	-	(35,010)
Share issuance costs – warrants	-	(13,611)	13,611	-	-	-
Reallocation of warrant reserves	-	(305,043)	305,043	-	-	-
Flow-trough share premium	-	(16,000)	-	-	-	(16,000)
Unrealized gain on marketable securities	-	-	-	14,129	-	14,129
Loss for the period	-	-	-	-	(593,499)	(593,499)
Balance, June 30, 2018	**23,103,787**	**$ 13,942,444**	**$ 3,462,967**	**$ 51,659**	**$ (14,123,608)**	**$ 3,333,462**

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 June 30, 2018, 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 condensed interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies followed in these condensed interim financial statements are the same as those applied in the Company's most recent annual financial statements for the year ended December 31, 2017.

The policies applied in these condensed interim financial statements are based on IFRS issued and outstanding as of August 29, 2018, the date the Board of Directors approved the statements. Certain of the comparative year figures have been reclassified to conform to the current year's presentation. The condensed interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2017.

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 August 29, 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 condensed 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) Significant Accounting Policies

These unaudited condensed interim financial statements do not include all of the significant accounting policies required by IFRS for complete financial statements for year-end reporting purposes. These financial statements should be read together with the audited financial statements for the year ended December 31, 2017 which in Note 3 detail all significant accounting policies adopted by the Company.

The Company's accounting policies have been applied consistently to all periods presented in these unaudited condensed interim financial statements.

e) Critical Accounting Judgments and Estimates

Key Sources of Estimation Uncertainty

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)

f) Critical Accounting Judgments and Estimates

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.

Useful life of equipment

Each significant component of an item of equipment is depreciated over its estimated useful life. Estimated useful lives are determined based on current facts and past experience and take into consideration the anticipated physical life of the asset, and the potential for technological obsolescence.

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. 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.

3. Recent accounting pronouncements (continued)

Recent Accounting Pronouncements adopted: (continued)

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 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.

4. 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 June 30, 2018 was $62,697.

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(Amounts are expressed in Canadian Dollars)

5. Exploration and Evaluation Assets

Wels Property:	Acquisition Costs $	Deferred Exploration $	Total $
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**
Cash Payment	-	-	-
Advanced royalty payment	-	-	-
Shares issued	122,500	-	122,500
Geology	-	143,314	143,314
Aviation	-	32,346	32,346
Land use and licenses	-	-	-
Community Relations	-	-	-
Travel	-	32,367	32,367
Balance, June 30, 2018	**1,075,057**	**1,188,355**	**2,263,412**

Flume Property:	Acquisition Costs $	Deferred Exploration $	Total $
Balance, December 31, 2016	**-**	**-**	**-**
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**
Cash Payment	35,000	-	35,000
Shares issued	25,000	-	25,000
Geology	-	2,800	2,800
Aviation	-	-	-
Land use and licenses	-	-	-
Travel	-	291	291
Write-off of exploration and evaluation assets	(117,500)	(134,386)	(251,886)
Balance, June 30, 2018	**-**	**-**	**-**

(Amounts are expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

Storck Property:	Acquisition Costs $	Deferred Exploration $	Total $
Balance, December 31, 2016	**-**	**-**	**-**
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**
Aviation	-	-	-
Geology	-	1,000	1,000
Land use and licenses	-	-	-
Travel	-	145	145
Balance, June 30, 2018	**-**	**78,074**	**78,074**

Ladue Property:	Acquisition Costs $	Deferred Exploration $	Total $
Balance, December 31, 2016	**-**	**-**	**-**
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**
Aviation	-	-	-
Geology	-	47,144	47,144
Land use and licenses	-	-	-
Travel	-	291	291
Balance, June 30, 2018	**-**	**108,636**	**108,636**

McArthur Creek Property:	Acquisition Costs $	Deferred Exploration $	Total $
Balance, December 31, 2017	**-**	**-**	**-**
Aviation	-	-	-
Geology	-	2,000	2,000
Land use and licenses	-	-	-
Travel	-	291	291
Balance, June 30, 2018	**-**	**2,291**	**2,291**

Total Exploration and Evaluation:	Acquisition Costs $	Deferred Exploration $	Total $
Balance, December 31, 2017	**1,010,057**	**1,249,752**	**2,259,809**
Balance, June 30, 2018	**1,075,057**	**1,377,356**	**2,452,413**

(Amounts are expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

Wels Property

The Company signed a definitive option agreement with Gorilla Minerals Corp. ("Gorilla") on August 11, 2016, subsequently amended October 21, 2016 option, 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". On June 8, 2018, Gorilla Minerals Corp. announced that it is changing its name to Go Cobalt Mining Corp. 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/ August 2017, February 2018 and August 2018 were at $0.52, $0.415, $0.245 and $0.23 per common share. Therefore, the fair value of these common shares was $150,000, $260,000, $207,500, $122,500, and $115,000 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 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.

*** Paid $50,000 on August 3, 2018; with Go Cobalt Mining Corp. (formerly Gorilla Minerals Corp.) agreeing to defer the $50,000 balance payment until November 11, 2018.

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.

(Amounts are expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

Flume Property

On March 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. The fair value of the 100,000 shares issued was $25,000.

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.

Subsequent to June 30, 2018, the Company elected to terminate the Flume Property Option Agreement with Commander. As part of the first year exploration expenditure requirements under the Agreement the Company had a firm commitment to spend $200,000 on the Flume property. This commitment was not met and to satisfy the remaining outstanding amount of $65,615, the Company and Commander have entered into an agreement whereby the Company will issue 285,283 common shares, subject to approval of the TSX Venture Exchange, to Commander at a deemed price of $0.23, based on 20 day VWAP, to settle this amount. Upon termination and completion of the payment the Company will no longer have any interest in the Flume Property nor will it have any further obligations to Commander with respect to the Option Agreement.

Storck Property

During the period ended June 30, 2018, 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.

(Amounts are expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

McArthur Creek Property

During the period ended June 30, 2018, the Company staked 123 State of Alaska mining claims known as the McArthur Creek Property located in east-central Alaska, USA, 30 km northeast of Northway, Alaska and 130 km southwest of Dawson City, Yukon. The project is located on the Alaska-Yukon border, proximal to K2's Ladue Property and covers approximately 7400 ha. The new claims are pending filing and official adjudication with the Alaska State Department of Natural Resources on Fairbanks, AK.

6. Flow-through liability

Flow-through share premium liabilities include the liability portion of the flow-through shares issued. The following is a continuity schedule of the liability portion of the flow-through shares issuances:

		June 30, 2018
Balance at December 31, 2017 and 2016	$	-
Liability incurred on flow through shares issued		16,000
Settlement of flow through share liability on incurred expenditures, net of expensed flow-through share issue costs		(8,849)
Balance at June 30, 2018	**$**	**7,151**

On June 12, 2018, the Company issued 320,000 flow-through common shares at a price of $0.30 per share for gross proceeds of $96,000. A premium of $0.05 per share was received for the flow-through shares.

During June, the Company incurred $53,095 of eligible flow-through expenditure, representing 55% of flow-through funds raised. Therefore, 55% of the premium liability ($8,849) was amortized to *Other income* on the statement of Operations and Comprehensive Loss.

7. Share Capital

Authorized Share Capital

At June 30, 2018, the authorized share capital comprised an unlimited number of common shares without par value.

Issued Share Capital

Transactions for the year ended December 31, 2017

On Feb 10, 2017, the Company issued 500,000 shares with a value of $260,000 as per the option agreement with Gorilla (Note 5).

On March 15, 2017, the Company issued 100,000 shares as per the agreement with Commander regarding the Flume property (Note 5).

7. Share Capital (continued)

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").

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 Go Cobalt Mining Corp. (Note 5).

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.

<u>Transactions for the six months ended June 30, 2018</u>

On April 16, 2018, 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 June 12, 2018, the Company closed a Private Placement and issued a total of 4,122,000 Common Shares for gross proceeds of $1,046,500.

The Private Placement consisted of non-flow-through units and flow-through units.

In connection with the non-flow-through portion, the Company issued 3,802,000 units (each, a "NFT Unit") at a price of $0.25, consisting of one common share and one full common share purchase warrant entitling the holder to acquire one additional common share at a price $0.37 per share for a period of twelve (12) months. The common share purchase warrants are subject to acceleration at the Company's discretion in the event the Company's common shares trade on a volume weighted average price (VWAP) basis of $0.60 or more for a period of ten consecutive trading days.

(Amounts are expressed in Canadian Dollars)

7. Share Capital (continued)

In connection with the flow-through portion, the Company issued 320,000 flow-through units (each, a "FT Unit") at a price of $0.30, consisting of one common share and one-half-of-one common share purchase warrant entitling the holder to acquire one additional common share at a price $0.45 per share for a period of twelve (12) months. The common share purchase warrants are subject to acceleration on the same terms as the NFT Unit warrants.

Warrants

Details of outstanding warrants are as follows:	Number of Warrants	Weighted Average Exercise Price
Outstanding warrants, December 31, 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 2017	9,353,440	$ 0.27
Issued	3,919,000	$ 0.37
Issued	179,200	$ 0.45
Exercised	-	-
Expired	(136,200)	$ 0.35
Outstanding warrants, June 30, 2018	13,315,440	$ 0.30

At June 30, 2018, 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)
October 27, 2018	$0.35	3,911,000	0.33
June 28, 2019	$0.10	4,000,000	0.99
December 28, 2018	$0.55	1,306,240	0.50
June 12, 2019	$0.37	3,919,000	0.95
June 12, 2019	$0.45	179,200	0.95
Weighted average exercise price and remaining contractual life	$0.30	13,315,440	0.74

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.

(Amounts are expressed in Canadian Dollars)

7. Share Capital (continued)

Stock Options *(continued)*

The changes in stock options issued are as follows:

	Number	Weighted Average Exercise Price
Outstanding December 31, 2016	-	-
Issued	1,255,000	$0.30
Expired	(5,000)	$0.36
Outstanding, December 31, 2017	1,250,000	$0.30
Issued	-	-
Expired	-	-
Cancelled	(20,000)	$0.30
Outstanding June 30, 2018	1,230,000	$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 June 30, 2018, 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	1,180,000	1,180,000	$0.30	3.84
June 12, 2022	50,000	50,000	$0.36	3.95
	1,230,000	1,230,000	$0.30	3.84

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.

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.

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

(Amounts are expressed in Canadian Dollars)

8. Financial Instruments (continued)

financial instruments to mitigate this foreign exchange risk. The Company does not have any significant currency risks associated with its financial instruments at June 30, 2018.

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 period ended June 30, 2018. 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 six months ended June 30, 2018 was $75,500 (June 30, 2017 - $506,544) and was comprised of the following:

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Personnel	$ 75,500	$ 102,000
Share-based compensation	-	404,544
	$ 75,500	$ 506,544

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

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.

10. 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.

11. Subsequent events

Subsequent to June 30, 2018, the Company paid $50,000 in option payment; with Go Cobalt Mining Corp. (formerly Gorilla Minerals Corp.) agreeing to defer the $50,000 balance payment until November 11, 2018.

Subsequent to June 30, 2018, the Company paid $20,000 in royalty payments in connection with the Wels Property.

Subsequent to June 30, 2018, the Company issued 500,000 common shares to Go Cobalt Mining Corp. pursuant to the Wels option agreement. The fair value of the 500,000 shares issued was $115,000.

Subsequent to June 30, 2018, the Company announced that it elected to terminate the Flume Property Option Agreement with Commander. As part of the first year exploration expenditure requirements under the Agreement the Company had a firm commitment to spend $200,000 on the Flume property. This commitment was not met and to satisfy the remaining outstanding amount of $65,615 the Company and Commander have entered into an agreement whereby the Company will issue 285,283 common shares, subject to approval of the TSX Venture Exchange, to Commander at a deemed price of $0.23, based on 20 day VWAP, to settle this amount. Upon termination and completion of the payment the Company will no longer have any interest in the Flume Property nor will it have any further obligations to Commander with respect to the Option Agreement.