K2 Gold Corporation

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2019

In Canadian Dollars

Unaudited – Prepared by Management

Notice of Non-review of Condensed Interim Consolidated Financial Statements

In accordance with National Instrument 51-102, the Company discloses that the accompanying condensed interim consolidated financial statements have been prepared by and are the responsibility of the Company's management. They have been reviewed and approved by the Company's Audit Committee and the Board of Directors.

The attached condensed interim consolidated financial statements for the three months ended March 31, 2019 have not been reviewed by the Company's auditors.

K2 Gold Corporation
(An Exploration Stage Company)
Condensed Interim Consolidated Statements of Financial Position
(Amounts are expressed in Canadian Dollars)

	Notes		March 31, 2019		December 31, 2018
Assets					
Current Assets					
Cash		$	150,357	$	316,624
Amounts receivable			5,402		6,584
Prepaid expenses			39,527		44,242
Investments			25,000		25,000
Marketable securities	4		53,425		52,983
			273,711		445,433
Exploration and evaluation assets	5		2,890,725		2,705,001
TOTAL ASSETS		$	3,164,436	$	3,150,434
Liabilities and Shareholders' Equity					
Current Liabilities					
Accounts payable and accrued liabilities		$	59,222	$	52,823
			59,222		52,823
Shareholders' Equity					
Share capital	7		14,393,579		14,244,029
Reserves	7		3,347,703		3,347,703
Accumulated other comprehensive income			42,387		41,945
Deficit			(14,678,455)		(14,536,066)
			3,105,214		3,097,611
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$	3,164,436	$	3,150,434

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

Approved on behalf of the Board of Directors on May 29, 2019:

*"Stephen Swatton"*__________, Director

*"Craig Roberts"*___________, Director

K2 Gold Corporation
(An Exploration Stage Company)
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Amounts are expressed in Canadian Dollars)

			Three months ended March 31,		
	Notes		**2019**		**2018**
Expenses					
Advertising, marketing and promotion		$	13,909	$	21,942
Consulting			4,757		-
Corporate listing and filing fees			10,438		8,702
Office and administration			7,585		8,186
Personnel			64,250		62,482
Professional fees			11,490		949
Rent			6,495		9,444
Travel and conferences			24,633		13,921
Loss Before the Undernoted			(143,557)		(125,626)
Other Income (Expenses)					
Interest income			1,168		1,138
Loss for the period			(142,389)		(124,488)
Unrealized gain (loss) on marketable securities	4		442		6,623
Comprehensive Loss for the period		$	(141,947)	$	(117,865)
Loss per share – basic and diluted		$	(0.01)	$	(0.01)
Weighted average number of common shares outstanding			24,241,403		18,676,231

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

K2 Gold Corporation
(An Exploration Stage Company)
Condensed Interim Consolidated Statements of Cash Flows
(Amounts are expressed in Canadian Dollars)

Cash Provided By (Used In):	Notes	Three months ended March 31, 2019	2018
Operating activities:			
Net loss for the period		$ (142,389)	$ (124,488)
Items not involving cash:			
Amortization of FT premium liability		-	-
Share-based compensation		-	-
Write-off of exploration and evaluation assets		-	-
Loss on settlement of debt		-	-
Change in non-cash working capital items:			
Accounts receivable		1,182	36,125
Prepaid expenses		4,715	(757)
Accounts payable and accrued liabilities		6,399	8,611
		(130,093)	(80,509)
Investing activities:			
Exploration and evaluation expenditures		(36,174)	(102,049)
		(36,174)	(102,049)
Financing activities:			
Proceeds from issuance of shares		-	-
Share issue costs		-	-
Proceeds from warrants exercised		-	-
		-	-
Net increase (decrease) in cash		(166,267)	(182,918)
Cash, beginning of period		316,624	403,411
Cash, end of period		$ 150,357	$ 220,493

Supplemental Schedule of Non-Cash investing and Financing Activities

Exploration and evaluation assets included in accounts payable and accrued liabilities	$ 3,727	$ 41,901
Shares issued for exploration and evaluation assets	$ 149,550	$ 122,500
Change in fair value of marketable securities	$ 442	$ 6,623

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

K2 Gold Corporation
(An Exploration Stage Company)
Condensed Interim Consolidated Statement of Changes in Shareholders' Equity
(Amounts are expressed in Canadian Dollars)

	Share Capital					
	Number of Shares	Amount	Reserves	Accumulated Other Comprehensive Income	Deficit	Total
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 asset	500,000	122,500	-	-	-	122,500
Unrealized gain on marketable securities	-	-	-	6,623	-	6,623
Loss for the period	-	-	-	-	(124,488)	(124,488)
Balance, March 31, 2018	**18,881,787**	**$ 13,240,608**	**$ 3,144,313**	**$ 44,153**	**$ (13,654,597)**	**$ 2,774,477**
Balance, December 31, 2018	**23,889,070**	**$ 14,244,029**	**$ 3,347,703**	**$ 41,945**	**$ (14,536,066)**	**$ 3,097,611**
Shares issued for exploration & evaluation assets	590,000	149,550	-	-	-	149,550
Unrealized gain on marketable securities	-	-	-	442	-	442
Loss for the period	-	-	-	-	(142,389)	(142,389)
Balance, March 31, 2019	**24,479,040**	**$ 14,393,579**	**$ 3,347,703**	**$ 42,387**	**$ (14,678,455)**	**$ 3,105,214**

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

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 the exploration of mineral properties in the Yukon Territory and Alaska.

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 condensed interim consolidated financial statements.

These condensed interim consolidated 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 March 31, 2019, 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 condensed interim consolidated 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 consolidated 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").

b) Approval of the condensed interim consolidated financial statements

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on May 29, 2019.

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 condensed interim consolidated financial statements.

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company's presentation and functional currency.

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.

2. Basis of Presentation (continued)

d) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary K2 Gold Alaska, Inc. ("K2 Gold Alaska"). The financial statements of K2 Gold Alaska are included in the condensed interim consolidated financial statements from the date on which control was transferred to the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant intercompany accounts and transactions have been eliminated on consolidation.

3. Significant Accounting Policies

Critical accounting judgments, estimates and assumptions

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amount of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are noted below with further details of the assumptions contained in the relevant note.

The preparation of these condensed interim consolidated financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

Key sources of estimation uncertainty

Exploration and evaluation assets

Exploration and evaluation costs are initially capitalized as intangible exploration assets with the intent to establish commercially viable reserves. The Company is required to make estimates and judgments about the future events and circumstances regarding whether the carrying amount of intangible exploration assets exceeds its recoverable amount.

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 development and upon future profitable production or proceeds from the disposition of the exploration and evaluation assets 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 properties or the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

Deferred tax assets and liabilities

The measurement of a 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 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.

3. Significant Accounting Policies

Key sources of estimation uncertainty (continued)

Deferred tax assets and liabilities (continued)

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 would be required to recognize more or fewer deferred tax assets, and future tax provisions or recoveries could be affected.

Share-based compensation

Share-based compensation expense is measured by reference to the fair value of the stock options at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them.

New and revised standards and interpretations

The accounting policies in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2018, except for the adoption, on January 1, 2019, of ***IFRS 16, Leases and IFRIC 23, Uncertainty over Income Tax Treatments*** which has an initial application as at this date.

The newly adopted IFRS 16, Leases standard establishes 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 Company has assessed its office lease agreement and concluded that the agreement does not constitute the ability to direct the use (right to use) of the underlying office premises om the context of IFRS 16. As such, the adoption of the above standard has not had an impact on the results and financial position of the Company.

The newly adopted IFRIC 23, Uncertainty over Income Tax Treatments clarifies the accounting for uncertainties in income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments. The adoption of the above standard, amendments and interpretations has not had an impact on the financial statements of the Company.

4. Marketable Securities

On June 17, 2015, the Company entered into a debt settlement agreement with Bluestone Resources Inc. ("Bluestone") whereby Bluestone issued 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 consolidated 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.

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 March 31, 2019 was $53,425 (2018 - $52,983).

(Amounts are expressed in Canadian Dollars)

5. Exploration and Evaluation Assets

Wels Property:		Acquisition Costs	Deferred Exploration	Total
Balance, December 31, 2017	**$**	**952,557**	**980,327**	**1,932,884**
Cash Payment		100,000	-	100,000
Advanced royalty payment		20,000	-	20,000
Shares issued		237,500	-	237,500
Aviation		-	37,124	37,124
Community relations		-	2,837	2,837
Geology		-	185,296	185,296
Land uses and licenses		-	2,556	2,556
Travel		-	43,242	43,242
Balance, December 31, 2018	**$**	**1,310,057**	**1,251,382**	**2,561,439**
Cash Payment		-	-	-
Advanced royalty payment		-	-	-
Shares issued		127,500	-	127,500
Aviation		-	-	-
Community relations		-	-	-
Geology		-	16,001	16,001
Land uses and licenses		-	-	-
Travel		-	-	-
Balance, March 31, 2019	**$**	**1,437,557**	**1,267,383**	**2,704,940**

Ladue Property:		Acquisition Costs	Deferred Exploration	Total
Balance, December 31, 2017	**$**	**-**	**61,201**	**61,201**
Aviation		-	5,940	5,940
Geology		-	64,085	64,085
Travel		-	4,100	4,100
Balance, December 31, 2018	**$**	**-**	**135,326**	**135,326**
Cash Payment		-	-	-
Shares issued		-	-	-
Geology		-	9,853	9,853
Land use and licenses		-	1,088	1,088
Balance, March 31, 2019	**$**	**-**	**146,267**	**146,267**

McArthur Creek Property:		Acquisition Costs	Deferred Exploration	Total
Balance, December 31, 2017	**$**	**-**	**-**	**-**
Geology		3,826	-	3,826
Land use and licenses		4,120	-	4,120
Travel		290	-	290
Balance, December 31, 2018	**$**	**8,236**	**-**	**8,236**
Cash Payment		-	-	-
Shares issued		-	-	-
Geology		-	142	142
Land use & licenses		-	3,090	3,090
Balance, March 31, 2019	**$**	**8,236**	**3,232**	**11,468**

(Amounts are expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

GDR Property:		**Acquisition Costs**	**Deferred Exploration**	**Total**
Balance, December 31, 2017	**$**	**-**	**-**	**-**
Geology		-	-	-
Land use and licenses		-	-	-
Travel			-	-
Balance, December 31, 2018	**$**	**-**	**-**	**-**
Cash Payment		6,000	-	6,000
Shares issued		22,050	-	22,050
Geology		-	-	-
Balance, March 31, 2019	**$**	**28,050**	**-**	**28,050**

Flume Property:		**Acquisition Costs**	**Deferred Exploration**	**Total**
Balance, December 31, 2017	**$**	**57,500**	**131,295**	**188,795**
Cash Payment		35,000	-	35,000
Shares issued		25,000	65,615	90,615
Geology		-	2,800	2,800
Travel		-	291	291
Write-off of exploration and evaluation assets		(117,500)	(200,001)	(317,501)
Balance, December 31, 2018	**$**	**-**	**-**	**-**
Cash Payment		-	-	-
Shares issued		-	-	-
Geology		-	-	-
Balance, March 31, 2019	**$**	**-**	**-**	**-**

Storck Property:		**Acquisition Costs**	**Deferred Exploration**	**Total**
Balance, December 31, 2017	**$**	**-**	**76,929**	**76,929**
Geology		-	1,000	1,000
Travel		-	145	145
Write-off of exploration and evaluation assets		-	(78,074)	(78,074)
Balance, December 31, 2018	**$**	**-**	**-**	**-**
Cash Payment		-	-	-
Shares issued		-	-	-
Geology		-	-	-
Balance, March 31, 2019	**$**	**-**	**-**	**-**

Total Exploration and Evaluation:		**Acquisition Costs**	**Deferred Exploration**	**Total**
Balance, December 31, 2018	**$**	**1,318,293**	**1,386,708**	**2,705,001**
Balance, March 31, 2019	**$**	**1,473,843**	**1,416,882**	**2,890,725**

(Amounts are expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

Wels Property

The Company signed a definitive option agreement with Go Cobalt Mining Corp. ("Go Cobalt") 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". According to the agreement, to earn its interest, the Company made cash payments aggregating $350,000 staged over 24 months and issued 3 million common shares staged over a 30-month period as follows:

		Cash option payments		Common shares issuance	
Within 5 days after date of October 16, 2016	$	50,000	(paid)	500,000	(issued)
On or before September 30, 2016		100,000	(paid)	-	
On or before February 11, 2017		-		500,000	(issued)
On or before August 11, 2017		100,000	(paid)	500,000	(issued)
On or before February 11, 2018		-		500,000	(issued)
On or before August 11, 2018		50,000	(paid)	500,000	(issued)
On or before November 11, 2018		50,000	(paid)	-	
On or before February 11, 2019		-		500,000	(issued)
Total	**$**	**350,000**		**3,000,000**	*

* Upon completion of the payments and share issuances, the Company and Go Cobalt 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 Go Cobalt, 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.

The Wels property is subject to 3% net smelter return ("NSR") governed by a 2011 agreement between Go Cobalt 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.

During the three months ended March 31, 2019, the Company issued 500,000 shares to Go Cobalt pursuant to the Wels option agreement. The fair value of these common shares was $127,500 as at the time of their issuance. The Company has now satisfied all of the terms of its option agreement with Go Cobalt and earned a 90% interest in the Wels property.

Ladue Property

During the three months ended March 31, 2019, the Company staked certain claims in the eastern Moosehorn Range area of the Yukon Territory known as the Ladue property.

McArthur Creek Property

During the three months ended March 31, 2019, the Company staked several claims collectively known as the McArthur Creek Property located in Alaska, USA.

(Amounts are expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

GDR Property

In December 2018, the Company entered into an earn in agreement with Cazador Resources Ltd., Michael Cathro and North Track Exploration, (the "Vendor Syndicate") to acquire up to a 100% interest in the GDR property located in the Yukon Territory.

To earn 100% of the GDR property, the Company must make staged cash and share payments as listed below:

		Cash option payments		Common shares issuance	
Upon signing of agreement (December 15, 2018)	$	6,000	(paid)	90,000	(issued)
1st anniversary of the agreement (December 31, 2019)		12,000		180,000	
2nd anniversary of the agreement (December 31, 2020)		24,000		360,000	
3rd anniversary of the agreement (December 31, 2021)		48,000		570,000	
Total	**$**	**90,000**		**1,200,000**	

During the three months ended March 31, 2019, the Company completed the first anniversary cash and share issue payments. The fair value of the 90,000 shares issued was $22,050.

7. Share Capital

On May 25, 2015, the Company consolidated the Company's issued and outstanding common shares, stock options and warrants at a ratio of one new share for ten old shares. On March 2, 2016, the Company consolidated the Company's issued and outstanding common shares, stock options and warrants at ratio of one new share for four old shares. Unless otherwise indicated, all references to share capital, stock options and share purchase warrants presented in these condensed interim consolidated financial statements and notes thereto are on a post-consolidation basis. The Company undertook this consolidation of its capital to facilitate future financings.

a) Authorized Share Capital

At March 31, 2019, the authorized share capital comprised an unlimited number of common shares without par value.

b) Issued Share Capital

Transactions for the three months ended March 31, 2019

On January 21, 2019, the Company issued 90,000 shares pursuant to the GDR Property earn in agreement. The fair value of these common shares was $22,050 as at the time of their issuance (Note 5).

On February 8, 2019, the Company issued 500,000 shares to Go Cobalt pursuant to the Wels option agreement. The fair value of these common shares was $127,500 as at the time of their issuance (Note 5).

Transactions for the three months ended March 31, 2018

On February 6, 2018, the Company issued 500,000 shares with a value of $122,500 as per the option agreement with Go Cobalt regarding the Wels property (Note 5).

(Amounts are expressed in Canadian Dollars)

7. Share Capital (continued)

c) Warrants

Details of outstanding warrants are as follows:	Number of Warrants	Weighted Average Exercise Price
Outstanding warrants, December 31, 2017	9,353,440	$ 0.27
Issued – unit warrants	3,962,000	$ 0.37
Issued – finders' warrants	136,200	$ 0.37
Expired	(5,353,440)	$ 0.38
Outstanding warrants, December 31, 2018	8,098,200	$ 0.24
Issued – unit warrants	-	-
Issued – finders' warrants	-	-
Outstanding warrants, March 31, 2019	8,098,200	$ 0.24

At March 31, 2019, 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)
June 28, 2019	$0.10	4,000,000	0.24
June 12, 2019	$0.37	3,919,000	0.20
June 12, 2019	$0.45	179,200	0.20
Weighted average exercise price and remaining contractual life	$0.24	8,098,200	0.22

d) 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 of stock options	Weighted Average Exercise Price
Outstanding, December 31, 2017	1,250,000	$0.30
Cancelled	(20,000)	$0.30
Outstanding December 31, 2018	1,230,000	$0.30
Granted	-	-
Expired	-	-
Outstanding March 31, 2019	1,230,000	$0.30

(Amounts are expressed in Canadian Dollars)

7. Share Capital (continued)

d) Stock Options

The estimated grant date fair value of the options granted during 2017 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

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

At March 31, 2019, 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	3.09
June 12, 2022	50,000	50,000	$0.36	3.20
	1,230,000	1,230,000	$0.30	3.09

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.

8. Financial Instruments (continued)

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.

Investments in equity instruments which are classified as fair value through other comprehensive income and are measured at fair value, are listed on public stock exchanges, including TSX-V and OTC-QB. Recently, the markets have experienced extreme volatility. Therefore, sensitivity analysis is performed using 15%. For such investments, a 15% increase in equity prices as at March 31, 2019 would have increased investments in equity instruments by $8,014. An equal change in the opposite direction would have had the equal but opposite effect on the amounts shown above.

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, however the Management estimates the risk to be insignificant. The Company has not entered into any derivative or other financial instruments to mitigate this foreign exchange risk.

e) 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 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 March 31, 2019. The Company is not subject to any externally imposed capital requirements.

(Amounts are expressed in Canadian Dollars)

9. Related Parties

Key management compensation

Key management consists 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. The aggregate value of compensation with key management for the period ended March 31, 2019 was $46,650 (March 31, 2018 - $67,500) and was comprised of the following:

		Three months ended Mar 31, 2019		Three months ended Mar 31, 2018
Exploration expense – field work	$	1,000	$	30,000
Personnel		45,650		37,500
Share-based compensation		-		-
Total	$	46,650	$	67,500

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

The balance payable to related parties at March 31, 2019 was $31,563 (March 31, 2018 - $Nil). These payables are generally 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.

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 and the United States.

11. Subsequent events

There are no other subsequent events that have not been disclosed elsewhere in these condensed interim consolidated financial statements.