Sitka Gold Corp.

Consolidated Financial Statements

December 31, 2017

(Expressed in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Sitka Gold Corp.

We have audited the accompanying consolidated financial statements of Sitka Gold Corp., which comprise of the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, the consolidated financial statements present fairly, in all material respects, the financial position of Sitka Gold Corp. as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
April 4, 2018

Sitka Gold Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	December 31, 2017	December 31, 2016
	$	$
ASSETS		
Current assets		
Cash	19,621	41,281
Prepaid (Note 4)	26,275	-
GST receivable	2,807	2,145
	48,703	43,426
Non-current assets		
Exploration and evaluation assets (Note 5)	358,099	259,483
	406,802	302,909
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	118,298	46,600
Loans payable (Note 9)	35,383	-
Flow-through share premium liability (Note 7)	-	1,113
	153,681	47,713
SHAREHOLDERS' EQUITY		
Share Capital (Note 7)	620,135	440,135
Deficit	(367,014)	(184,939)
	253,121	255,196
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	406,802	302,909

Subsequent events (Note 12)

APPROVED ON BEHALF OF THE BOARD

"Corwin Coe"
Corwin Coe, Director

"Donald Penner"
Donald Penner, Director

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

Sitka Gold Corp.

Consolidated Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

	Year Ended December 31, 2017	Year Ended December 31, 2016
	$	$
EXPENSES		
Administration expenses	32,653	23,263
Exploration expenditures (Note 8)	-	29,531
List and filing fees	22,223	-
Professional fees	80,198	16,305
Travel	48,114	55,213
	183,188	124,312
LOSS BEFORE OTHER ITEMS	(183,188)	(124,312)
OTHER ITEMS		
Settlement of flow-through share premium liability (Note 7)	1,113	9,632
COMPREHENSIVE LOSS	(182,075)	(114,680)

Basic and diluted loss per share	$ (0.02)	$ (0.01)
Weighted average number of shares - basic diluted	10,195,630	8,373,831

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

Sitka Gold Corp.

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital $	Subscriptions Receivable $	Deficit $	Total Equity $
Balance, December 31, 2015	8,267,000	395,135	(25,100)	(70,259)	299,776
Share issued for cash (Note 7)	200,000	30,000	-	-	30,000
Share issuance for option agreement (Note 5)	100,000	15,000	-	-	15,000
Subscription proceeds received	-	-	25,100	-	25,100
Loss for the year	-	-	-	(114,680)	(114,680)
Balance, December 31, 2016	8,567,000	440,135	-	(184,939)	255,196
Share issued for cash (Note 7)	1,550,000	155,000	-	-	155,000
Share issuance for option agreement (Note 5)	250,000	25,000	-	-	25,000
Loss for the year	-	-	-	(182,075)	(182,075)
Balance, December 31, 2017	10,367,000	620,135	-	(367,014)	253,121

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

Sitka Gold Corp.

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Year Ended December 31, 2017 $	Year Ended December 31, 2016 $
Cash flows from operating activities		
Loss for the year	(182,075)	(114,680)
Items not affecting cash:		
Settlement of flow-through premium liability	(1,113)	(9,632)
Change in non-cash working capital		
Prepaid	(26,275)	-
GST receivable	(662)	2,465
Accounts payable and accrued liabilities	71,698	28,982
Loan payable	35,383	-
Net cash flows used in operating activities	(103,044)	(92,865)
Cash flows from investing activities		
Exploration and evaluation assets	(73,616)	(86,098)
Net cash flows used in investing activities	(73,616)	(86,098)
Cash flows from financing activities		
Cash received from share issuance	155,000	55,100
Net cash flows provided by financing activities	155,000	55,100
Decrease in cash	(21,660)	(123,863)
Cash, beginning	41,281	165,144
Cash, ending	19,621	41,281

Non-cash investing activity:	$	$
Shares issued for exploration and evaluation assets	25,000	15,000

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

1. Nature and continuance of operations

Sitka Gold Corp. (the "Company"), was incorporated on January 13, 2015 under the laws of the province of British Columbia.The Company's principal business activity is the exploration for mineral resources, in Nunavut, Canada and Nevada, USA.

The Company's registered office and principal place of business is Suite 1500, 409 Granville Street, Vancouver, British Columbia, Canada.

The Company has incurred losses and negative cash flows from operations since inception that has primarily been funded through financing activities. The Company will need to raise additional capital during the next twelve months to support current operations and planned development. These factors indicate the existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern. Management financed operating costs over the next twelve months with cash on hand and through the initial public offering ("IPO").

Subsequent to the year ended December 31, 2017, the Company completed its IPO (Note 12) and began trading on the Canadian Securities Exchange (the "CSE") on January 31, 2018 under the trading symbol "SIG".

2. Basis of preparation

The consolidated financial statements were authorized for issuance on April 4, 2018 by the directors of the Company.

(a) Statement of compliance

The financial statements for the Company for the years ended December 31, 2017 and 2016 are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

(b) Basis of measurement

These financial statements have been prepared on a historical cost basis, modified where applicable. In additional, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. These financial statements are presented in Canadian dollars, unless otherwise noted, which is also the Company's functional currency.

(c) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Arctic Copper Corp. and Sitka Gold (US) Corp. The controlled entity is fully consolidated from the date of acquisition, being the date on which the Company obtains control and continues to be consolidated until the date such control ceases. All intercompany transactions and balances have been eliminated upon consolidation.

(d) Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to use judgment in applying its accounting policies and make estimates and assumptions about reported amounts at the date of the financial statements and in the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumption where there is significant risk of material adjustments to assets and liabilities in future accounting period include the recoverability of the carry value of the exploration and evaluation assets, the measurements for financial instrument, the recoverability of deferred tax assets and the measurement of Flow-through share premium liabilities.

2. Basis of preparation (continued)

(d) Significant estimates and assumptions (continued)

The preparation of financial statements in accordance with IFRS required the Company to make judgements, apart from those involving estimates, in applying accounting policies. The following are the most significant judgements that management has made in applying the Company's financial statements: the assessment of the Company's ability to continue as a going concern and the classification of exploration and evaluation assets.

3. Significant accounting policies

(a) Exploration and evaluation assets

Exploration costs incurred prior to the Company obtaining the legal right to explore an area are expensed in the period in which they are incurred.

Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option. Exploration and evaluation expenditures are capitalized.

Property option agreements are exercisable entirely at the option of the optionee. Therefore, option payments (or recoveries) are recorded when payment is made (or received) and are not accrued.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

(b) Impairment of non-financial assets

The carrying amount of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

3. Significant accounting policies (continued)

(b) Impairment of non-financial assets (continued)

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

(c) Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax:

Deferred tax is recognized on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that future taxable income will be available to allow all or part of the temporary differences to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted and are expected to apply by the end of the reporting period. Deferred tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(d) Foreign currency translation

The functional currency of each entity is determined using the currency of the primary economic environment in which that entity operates.

The functional and presentation currency, as determined by management, of the Company and its subsidiary is the Canadian dollar.

Foreign operations

The financial results and position of foreign operations whose functional currency is different from the Company’s presentation currency are translated as follows:
- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

3. Significant accounting policies (continued)

(d) Foreign currency translation (continued)

Exchange differences arising on translation of foreign operations are recognized in other comprehensive income and recorded in the Company's accumulated other comprehensive income in equity. These differences are recognized in the profit or loss in the period in which the operation is disposed.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of comprehensive loss in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

(e) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants, options and flow-through shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity, net of tax.

(f) Flow-through shares

Resource expenditure deductions for income tax purposes related to exploratory activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. 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 bifurcates the flow-through share into i) a flow-through 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. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until qualifying expenditures are incurred.

3. Significant accounting policies (continued)

(g) Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in statement of comprehensive loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

(h) Accounting Standards and Interpretations Issued but Not Yet Adopted

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

New standard IFRS 9 "Financial Instruments"
This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. Accounting standards or amendments to existing standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company's financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. Prepaid expenses

	2017	2016
Prepaid expense	$ 26,275	$ -
Total	$ 26,275	$ -

5. Exploration and evaluation assets

The Company has classified its exploration properties into two separate geographical locations, namely Nunavut, Canada and Nevada, USA.

A continuity of the Company's exploration and evaluation assets is as follows:

	Coppermine River Property, Nunavut	Adobe Gold Property, Nevada	Total
Balance, December 31, 2015	$ 144,319	$ 14,066	$ 158,385
Claim fees	-	19,458	19,458
Geological and analytical costs	117	52,590	52,707
Geophysics	3,993	-	3,993
Travel and accommodation	-	9,176	9,176
Equipment and supplies	-	716	716
Total exploration costs	4,110	81,940	86,050
Acquisition costs	48	15,000	15,048
Total 2016 additions	4,158	96,940	101,098
Balance, December 31, 2016	$ 148,477	$ 111,006	$ 259,483

(Expressed in Canadian dollars)

5. Exploration and evaluation assets (continued)

	Coppermine River Property, Nunavut	Adobe Gold Property, Nevada	Total
Balance, January 13, 2016	$ 148,477	$ 111,006	$ 259,483
Claim fees	-	42,937	42,937
Geological and analytical costs	3,500	20,900	24,400
Travel and accommodation	-	4,930	4,930
Equipment and supplies	-	1,349	1,349
Total exploration costs	3,500	70,116	73,616
Acquisition costs	-	25,000	25,000
Total 2017 additions	3,500	95,116	98,616
Balance, December 31, 2017	$ 151,977	$ 206,122	$ 358,099

(a) Coppermine River Property ("Coppermine Property"), Nunavut

The Company has staked 45 mineral claims which form the Coppermine Property in the northwest region of Yellowknife.

(b) Adobe Gold Property ("Adobe Property"), Nevada, USA

On December 8, 2015, the Company entered into an option agreement with Intercept Minerals Corporation ("Intercept"), whereby the Company has the option to acquire 60% of Intercept's interest ("First Option") in the Adobe Gold Property (the "Adobe Property"), subject to the following items:

(1) issue and deliver an aggregate of 500,000 common shares of the Company to Intercept as follows:

(i) 100,000 shares on signing of the agreement (issued);
(ii) 100,000 shares on or before December 1, 2016 (issued);
(iii) 100,000 shares on or before September 1, 2017 (issued);
(iv) 200,000 shares on or before September 1, 2018;

(2) incur US$100,000 in exploration expenditures on the Adobe Property on or before December 8, 2016;

The Company did not incur US$100,000 on the Adobe Property before December 8, 2016. On April 10, 2017, Intercept agreed to accept 150,000 shares in lieu of the expenditure requirement.

(3) incur at least an aggregate of US$600,000 in exploration expenditures on the Adobe Property on or before September 1, 2018;

(4) The Adobe Property is subject to a 1.5% Net Smelter Royalty ("NSR").

If the Company exercises the First Option, the Company shall have the right to earn an additional 10% interest ("Second Option") so that the Company holds a 70% interest by issuing an additional 500,000 common shares on or before September 1, 2019.

The Company shall have the right to earn an additional 30% interest ("Third Option") so that the Company holds a 100% interest by issuing an additional 2,000,000 common shares and granting a royalty equal to 1% of the NSR. The Company may at any time purchase the 1% NSR for US$2,000,000.

(Expressed in Canadian dollars)

5. Exploration and evaluation assets (continued)

The Company assumed all the obligations and commitments that Intercept had, pursuant to an underlying agreement, as follows:

- US$20,000 on or before March 12, 2018;
- US$40,000 on or before September 12, 2018;
- US$60,000 on or before September 12, 2019; and
- US$110,000 on or before September 12, 2020.

These payments will be deducted from the NSR payable by the Company once commercial production begins. Such payments can be made as shares, cash or a combination thereof.

The Company can opt to not make the payments at any time and forego the option on the Adobe Property.

6. Accounts payables and accrued liabilities

		2017		2016
Accounts payable	$	36,244	$	7,111
Accrued liabilities		28,996		9,671
Due to related parties (Note 8)		53,058		29,818
Total	$	118,298	$	46,600

7. Share capital

(a) *Authorized*

Unlimited common shares with no par value

(b) *Issued and outstanding*

	Number of Common shares		Share Capital
Balance, December 30, 2015	8,267,000	$	395,135
Financing, net of issue costs (i)	200,000		30,000
Issued pursuant to option agreement (ii)	100,000		15,000
Balance, December 31, 2016	8,567,000		440,135
Financing, net of issue costs (iii)	1,550,000		155,000
Issued pursuant to option agreement (ii)	250,000		25,000
Balance, December 31, 2017	10,367,000	$	620,135

(i) During the year ended December 31, 2016, the Company issued 200,000 units at a price of $0.15 per unit for gross proceeds of $30,000. Each unit consists of one common share and one warrant. Each warrant is exercisable to acquire an additional common share at $0.25 for 5 years.

(ii) During the years ended December 31, 2017, pursuant to the Adobe Property agreement between the Company and Intercept Minerals Corporation, a total of 250,000 shares were issued with fair value of $25,000 (2016 – 100,000 shares with a fair value of $15,000)

(iii) In February 2017, the Company closed a private placement and issued 1,550,000 units at $0.10 per unit for proceeds of $155,000. Each unit consists of one common share and one warrant which entitles the holder purchase one additional common share at $0.15 per share for 2 years.

(Expressed in Canadian dollars)

7. Share capital (continued)

(c) Share purchase warrants

At December 31, 2017, the Company had warrants outstanding and exercisable as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, December 31, 2015	6,167,000	$	0.16
Granted	200,000		0.25
Balance, December 31, 2016	6,367,000		0.17
Granted	1,550,000		0.15
Balance, December 31, 2017	7,917,000	$	0.17

The weighted average life of the warrants outstanding at December 31, 2017 is 2.1 years.

(d) Flow-through share premium liability

During the year ended December 31, 2017, the Company reversed $1,113 (2016 – $9,632) in flow-through share premium liability as required exploration expenditures were incurred.

8. Related parties

Included in accounts payable are amounts due to related parties consisting of the following:

		2017		2016
A company controlled by the Chief Executive Officer ("CEO")	$	6,000	$	6,000
A company controlled by a Director of the Company		14,610		14,610
A company controlled by a Director of the Company		6,500		6,500
Due to President of the Company		-		2,708
Due to CEO of the Company		25,948		-
Total	$	53,058	$	29,818

Amounts due to related parties are unsecured, non-interest bearing and due on demand.

During the year, an officer loaned $15,000 to the Company 12% per annum. As of December 31, 2017, the amount owing to the officer was $15,232, including accrued interest of $232.

The Company had the following transactions with key management during the year ended December 31, 2017:

(a) An officer of the Company provided geological services to the Company. Fees incurred during the year were $3,500 (2016 - $6,000).

(b) An officer of the Company provided geological services to the Company. Fees incurred during the year were $6,000 (2016 - $6,500).

(c) An officer of the Company provided geological services to the Company. Fees incurred during the year were $12,800 (2016 - $12,800).

(d) A director of the Company provided geological services to the Company. Fees incurred during the year were $7,000 (2016 - $22,300).

9. Loans payable

During the year ended December 31, 2017, the Company borrowed $35,000, including $15,000 from an officer (Note 8). The loans are due on demand, unsecured and bear interest at 12%. As of December 31, 2017, interest of $383 was accrued on the loans.

10. Financial instruments

The Company is exposed in varying degrees to a variety of financial instrument related risks by virtue of its activities. The overall financial risk management program focuses on preservation of capital, and protecting current and future Company assets and cash flows by reducing exposure to risks posed by the uncertainties and volatilities of financial markets.

The types of risk exposure and the way in which such exposures are managed are as follows:

Credit Risk - The Company's credit risk is primarily attributable to its liquid financial assets. The Company's primary exposure to credit risk is on its cash. Cash are held with the same financial institution giving rise to a concentration of credit risk. This risk is managed by using a major Canadian bank that is a high credit quality financial institution.

Liquidity Risk – Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. All of the Company's financial liabilities are due within a year.

Interest rate risk – Interest rate risk refers to the risk that fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk as cash earns interest income at variable rates. The fair value of cash are minimally affected by changes in short term interest rates.

Foreign currency risk - Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to foreign currency risk to the extent that certain monetary financial instruments and other assets are denominated in United States dollars. The Company has not entered into any foreign currency contracts to mitigate this risk, as it believes this risk is minimized by the minimal amount of cash held in United States funds.

Commodity price risk – The value of the Company's mineral resource properties is related to the price of various commodities and the outlook for them. Commodity prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial retail demand, central bank lending, forward sales by producers and speculators, level of worldwide production and short-term changes in supply and demand.

Fair Value - The Company has various financial instruments comprised of cash, receivables, accounts payable and loans payable.

The carrying amounts of the Company's financial instruments approximate their fair value due to their short period of time until maturity.

(Expressed in Canadian dollars)

11. Income taxes

A reconciliation of the statuary tax rate to the average effective rate is as follows:

		2017		2016
Loss before income taxes for the year	$	(182,075)	$	(114,680)
Statutory tax rate		26%		26%
Income tax recovery		(47,340)		(29,817)
Non-deductible expenditures		1,837		4,138
Impact of flow-through shares		9,312		8,348
Adjustment to prior years provision		22,452		-
Other		5,948		(4,185)
Unrecognized tax benefit		7,791		21,516
Deferred income tax recovery	$	-	$	-

The component of the Company's future income tax asset are a result of the origination and reversal of temporary differences and are comprised of the following:

		2017		2016
Exploration and evaluation assets	$	(76,635)	$	(17,443)
Share issue costs		764		764
Investment tax credits		5,707		6,934
Non-capital losses carried forward		99,976		31,767
Deferred tax assets		29,812		22,022
Unrecognized deferred tax assets		(29,812)		(22,022)
Net deferred tax assets	$	-	$	-

As at December 31, 2017, the Company has approximately $385,000 (2016 - $122,000) of non-capital losses in Canada that may be used to offset future taxable income, expiring between 2035 and 2036.

Tax attributes are subject to review, and potential adjustment, by tax authorities.

12. Subsequent events

In January 2018, the Company completed its IPO and issued 6,000,000 units for gross proceeds of $1,200,000. Each unit is comprised of one common share and one-half warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of $0.30 until January 30, 2020. The agent received a cash commission of $96,000 as well as non-transferable warrants entitling the agent to purchase up to 480,000 common shares at a price of $0.30 per common share until January 30, 2020. The agent also received a corporate finance fee of $25,000.

In January 2018, the Company entered into an agreement with Objective Exploration LLC ("Objective") to acquire 100% of Objective's interest in the Alpha Gold Property ("the Property") located in Eureka County, Nevada, subject to the following terms:

(i) grant a 1.5% NSR with the right to purchase all of the NSR for US$3,000,000;
(ii) pay US$10,000 annually as an advance royalty until 2039 or until purchase of the NSR;
(iii) pay US$10,000 annually in cash or shares after 10,000 feet of drilling has been conducted on the property until 2039 or until purchase of the NSR;
(iv) pay an additional US$20,000 annually in cash or shares after 50,000 feet of drilling has been conducted on the property until 2039 or until purchase of the NSR; and
(v) pay all fees to file and maintain the property.