

Sitka Gold Corp.
Consolidated Financial Statements
December 31, 2018
(Expressed in Canadian dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Sitka Gold Corp.

Opinion

We have audited the consolidated financial statements of Sitka Gold Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter – Restated Comparative Information

We draw attention to Note 13 to the consolidated financial statements, which explains that comparative information presented for the year ended December 31, 2017 has been restated. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Matthew Gosden.

DMCL

**DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS**

Vancouver, BC

April 30, 2019

An independent firm associated with
Moore Stephens International Limited

MOORE STEPHENS

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

	December 31, 2018	December 31, 2017
	\$	\$
		Restated - (Note 13)
ASSETS		
Current assets		
Cash and cash equivalents (Note 4)	345,586	19,621
Prepaid	31,169	26,275
GST receivable	6,574	2,807
	<u>383,329</u>	<u>48,703</u>
Non- Current Assets		
Exploration and evaluation assets (Note 6)	1,092,293	358,099
Reclamation bond (Note 6)	24,564	-
	<u>1,500,186</u>	<u>406,802</u>
LIABILITIES		
Current liability		
Accounts payable and accrued liabilities (Note 5)	71,962	118,298
Loan payable (Note 8)	-	35,383
Flow-through share liability (Note 7)	55,000	-
	<u>126,962</u>	<u>153,681</u>
SHAREHOLDERS' EQUITY		
Share Capital (Note 7)	1,974,005	620,135
Reserve (Note 7)	190,374	83,120
Deficit	(791,155)	(450,134)
	<u>1,373,224</u>	<u>253,121</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	<u>1,500,186</u>	<u>406,802</u>

Nature and continuance of operations (note 1)

Commitments (Note 6)

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, 2018	Year ended December 31, 2017
	\$	\$
		Restated - (Note 13)
EXPENSES		
Administration expenses	68,187	32,653
Listing and filing fees	10,751	22,223
Investor relations	89,822	-
Professional fees	24,510	80,198
Payroll	21,396	-
Share-based payments (Note 7)	38,686	83,120
Travel and accomodation	86,244	48,114
LOSS BEFORE OTHER ITEMS	<u>(339,596)</u>	<u>(266,308)</u>
OTHER ITEMS		
Foreign exchange loss	(4,913)	-
Settlement of flow-through share premium liability	-	1,113
Interest and other income	3,488	-
	<u>(1,425)</u>	<u>1,113</u>
NET AND COMPREHENSIVE LOSS	<u><u>(341,021)</u></u>	<u><u>(265,195)</u></u>
Basic and diluted loss per share	\$ (0.02)	(0.03)
Weighted average number of shares (basic and diluted)	16,364,370	10,195,630

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)**

	Common Shares Outstanding	Share Capital	Reserve	Deficit	Total
		\$	\$	\$	\$
Balance, December 31, 2016	8,567,000	440,135	-	(184,939)	255,196
Shares issued for cash	1,550,000	155,000	-	-	155,000
Shares issued in lieu of expenditures	250,000	25,000	-	-	25,000
Share-based payments (Notes 7 and 13)	-	-	83,120	-	83,120
Loss for the year	-	-	-	(265,195)	(265,195)
Balance, December 31, 2017 (Restated - Note 13)	10,367,000	620,135	83,120	(450,134)	253,121
IPO shares issuance for cash	6,000,000	949,378	68,568	-	1,017,946
Shares issuance for cash, net of fees	480,000	113,972	-	-	113,972
Flow-through shares issuance for cash, net of fees	2,200,000	204,920	-	-	204,920
Warrants exercised	100,000	15,000	-	-	15,000
Shares issuance for option agreements	550,000	61,000	-	-	61,000
Shares issuance for finder's fee on property	80,000	9,600	-	-	9,600
Share-based payments (Note 7)	-	-	38,686	-	38,686
Loss for the year	-	-	-	(341,021)	(341,021)
Balance, December 31, 2018	19,777,000	1,974,005	190,374	(791,155)	1,373,224

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, 2018 \$	Year ended December 31, 2017 \$
		Restated - (Note 13)
Cash flows used in operating activities		
Loss for the year	(341,021)	(265,195)
Items not affecting cash		
Settlement of flow-through premium liability	-	(1,113)
Share-based payments	38,686	83,120
Change in non-cash working capital		
Prepaid	(4,894)	(26,275)
GST receivable	(3,767)	(662)
Accounts payable and accrued liabilities	(46,336)	71,698
	<u>(357,332)</u>	<u>(138,427)</u>
Cash flows used in investing activities		
Exploration and evaluation assets	(663,594)	(73,616)
Reclamation bond	(24,564)	-
	<u>(688,158)</u>	<u>(73,616)</u>
Cash flows from financing activities		
Cash payments received from issuance of shares	1,406,838	155,000
Proceeds received for loans payable	20,000	35,383
Repayment of loans payable	(55,383)	-
	<u>1,371,455</u>	<u>190,383</u>
Increase (decrease) in cash and cash equivalents	325,965	(21,660)
Cash and cash equivalents , beginning	19,621	41,281
Cash and cash equivalents , ending	<u>345,586</u>	<u>19,621</u>
Components of cash and cash equivalents:		
Cash	290,064	19,621
Short-term investments	55,522	-
	<u>345,586</u>	<u>19,621</u>
Non-cash investing activities	\$	\$
Shares issued for exploration and evaluation assets	70,600	25,000

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

Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017 (Amended and Restated)

(Expressed in Canadian dollars)

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, Nevada, USA and Arizona, USA.

On January 31, 2018, the Company completed its initial public offering (Note 5) and began trading on the Canadian Securities Exchange (the "CSE") on January 31, 2018 under the trading symbol "SIG".

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

These consolidated financial statements have been prepared on a going concern basis which assumes the Company will realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity to the public, will be sought to finance the operations of the Company. Although the Company has a history of raising money, there is no guarantee of this in the future. As a result, there is existence of material uncertainty that casts significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements for the years ended December 31, 2018 and 2017 are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements were authorized for issuance on April 30, 2019 by the directors of the Company.

(b) Basis of measurement

These financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. These consolidated 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.

Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017 (Amended and Restated)

(Expressed in Canadian dollars)

2. Basis of preparation (continued)

(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.

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. Exploration and evaluation costs are capitalized. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option.

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.

Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017 (Amended and Restated)

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

(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.

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.

Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017 (Amended and Restated)

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

(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 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.

Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017 (Amended and Restated)

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

(g) Financial instruments

The Company has opted to early adopt IFRS 9, "Financial Instruments" and its financial instruments are accounted for in accordingly.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash and cash equivalent is measured at FVTPL. Receivables are measured at amortized cost.

Impairment of financial assets

IFRS 9 uses the expected credit loss ("ECL") model. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The ECL model applies to the Company's receivables.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Trade payables are classified under other financial liabilities and carried on the statement of financial position fair value through profit or loss.

Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017 (Amended and Restated)

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

(h) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(i) Asset retirement obligation

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising for the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying value of the asset, as soon as the obligation to incur such costs arises. Risk-free discount rates using pre-tax rates that reflect the time value of money are used to calculate the net present value. The Company records a provision for environmental rehabilitation in the financial statements when it is incurred and capitalizes this amount as an increase in the carrying amount of the related asset. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

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

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 16 - Leases was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for reporting periods beginning on or after January 1, 2019. The Company has not yet assessed the impact of the standard.

The Company anticipates that the application of the above new and revised standards, amendments and interpretations will have no material impact on its results and financial position. Disclosure changes are anticipated.

Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017 (Amended and Restated)

(Expressed in Canadian dollars)

4. Cash and cash equivalent

	December 31, 2018	December 31, 2017
Cash	\$ 290,064	\$ 19,621
Short-term investment	55,522	-
	\$ 345,586	\$ 19,621

At December 31, 2018, the Company has a variable rate investment of \$55,000 (2017 - \$Nil), the instrument is redeemable for cash at any time yields an interest rate of prime plus 2.60%, with a maturity date of February 5, 2019. During the year ended December 31, 2018, the Company recognized interest income of \$522 (December 31, 2017 - \$Nil). Subsequent to December 31, 2018, the Company redeemed the investment in full.

5. Accounts payable and accrued liabilities

	December 31, 2018	December 31, 2017
Accounts payable	\$ 48,379	\$ 89,301
Accrued liabilities	23,583	28,997
	\$ 71,962	\$ 118,298

6. Exploration and evaluation assets

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

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

	Coppermine River Property, Nunavut	Adobe Gold Property, Nevada	Burro Creek Property, Arizona	Total
Balance, December 31, 2016	\$148,477	\$111,006	\$ -	\$259,483
Claim fees and Staking costs	-	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
Claim fees and Staking costs	-	67,016	22,547	89,563
Geological and analytical costs	-	89,051	7,254	96,305
Drilling costs	-	294,644	-	294,644
Geophysical costs	-	65,445	-	65,445
Assay and Geochemical costs	-	32,481	-	32,481
Transportation	-	27,056	-	27,056
Travel and accommodation	-	4,154	2,048	6,202
Equipment and supplies	-	1,898	-	1,898
Total exploration costs	-	581,745	31,849	613,594
Acquisition costs	-	15,600	105,000	120,600
Total 2018 additions	-	597,345	136,849	734,194
Balance, December 31, 2018	\$151,977	\$803,467	\$136,849	\$1,092,293

Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017 (Amended and Restated)

(Expressed in Canadian dollars)

6. Exploration and evaluation assets (continued)

(a) *Coppermine River Property, Nunavut*

The Company has staked 45 mineral claims from the Coppermine River Project in the northwest region of Nunavut.

As of December 31, 2018, the Company incurred total acquisition and exploration expenditures of \$151,977 relating to the Coppermine River Property.

(b) *Adobe Gold 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;

Clause (iv) was amended on July 19, 2018 that 50,000 shares are due September 1st, 2018 (issued) and the remaining 150,000 shares are due September 1st, 2019.

(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 (issued) 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;

On July 19, 2018, Intercept agreed to extend the due date to incur exploration expenditures of US\$600,000 to September 1, 2019

(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 from Intercept for US\$2,000,000.

The Company assumed all the obligations and commitments that Intercept had, pursuant to an underlying agreement, starting March 12, 2018 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.

Sitka Gold Corp.

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6. Exploration and evaluation assets (continued)

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 Gold Property.

During the year ended December 31, 2018, the Company paid \$24,564 for a reclamation bond with the Bureau of Land Management in the State of Nevada to insure the completion of future asset retirement obligations as estimated utilizing a standardized reclamation cost estimating system for the State of Nevada.

(c) *Alpha Gold Property, Nevada, USA*

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 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, starting May 7, 2019, as an advance royalty until 2039 or until purchase of 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

No expenditures have been incurred on this property as at December 31, 2018.

(d) *Burro Creek Property, Arizona, USA*

On September 17, 2018, the Company entered into an option agreement ("Option Agreement") with Coelton Ventures Ltd. ("Coelton") to acquire a 100% interest in the Burro Creek Property located in Mohave County, Arizona, USA, by completing the following:

- (i) Within 30 days of the Company receiving conditional acceptance of this Option Agreement from the CSE making a payment of \$50,000 and issuing 500,000 common shares of the Company to Coelton (paid and issued);
- (ii) By September 17, 2019 making a further cash payment of \$50,000, a further share disbursement of 500,000 common shares to Coelton and completing a cumulative total of \$100,000 in expenditures on the Property;
- (iii) By September 17, 2020 making a further cash payment of \$150,000, a further share disbursement of 500,000 common shares to Coelton and completing a cumulative total of \$250,000 in expenditures on the Property;
- (iv) By September 17, 2021 making a further cash payment of \$200,000, a further share disbursement of 500,000 common shares to Coelton and completing a cumulative total of \$1,000,000 in expenditures on the Property;
- (v) By September 17, 2022 making a further cash payment of \$250,000, a further share disbursement of 500,000 common shares to Coelton and completing a cumulative total of \$2,000,000 in expenditures on the Property;
- (vi) By September 17, 2023 making a further cash payment of \$300,000, a further share disbursement of 500,000 common shares to Coelton and completing a cumulative total of \$3,000,000 in expenditures on the Property;

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6. Exploration and evaluation assets (continued)

(vii) By September 17, 2024 making a further share disbursement of 1,000,000 Common Shares to Coelton and completing a cumulative total of \$4,000,000 in expenditures on the Property;

(viii) By September 17, 2025 making a further share disbursement of 1,000,000 common shares to Coelton.

7. Share capital*(a) Authorized*

Unlimited common shares with no par value

(b) Issued and outstanding

	Number of Common shares	Share Capital
<i>Balance, December 31, 2016</i>	8,567,000	\$440,135
Financing, net of issue costs (i)	1,550,000	155,000
Issued pursuant to option agreement (ii)	250,000	25,000
<i>Balance, December 31, 2017</i>	10,367,000	\$620,135
IPO Financing, net of issue costs (iii)	6,000,000	1,017,946
Financing, net of issue costs (iv)	480,000	113,972
Issued for finder's fee on property (v)	80,000	9,600
Issued pursuant to option agreement (vi)	550,000	61,000
Flow-through financing, net of issue costs (vii)	2,200,000	259,920
Shares issued on warrants exercised	100,000	15,000
<i>Balance, December 31, 2018</i>	19,777,000	\$2,097,573

(i) During the year ended December 31, 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 of the Company at a price of \$0.15 per share for 2 years.

(ii) During the year ended December 31, 2017, pursuant to the Adobe Property agreement between the Company and Intercept Minerals Corporation (note 6(b)), a total of 250,000 shares were issued with a fair value of \$25,000.

(iii) In January 2018, the Company completed its initial public offering and issued 6,000,000 units of the Company (the "IPO Units") at a price of \$0.20 per IPO Unit for gross proceeds of \$1,200,000. Each IPO Unit is comprised of one common share and one-half of one transferable share purchase warrant, each whole warrant entitling the holder to acquire one additional common share at a price of \$0.30 per share until January 30, 2020.

Share issue costs \$96,000 included an agent's cash commission equal to 8% of the gross proceeds of the Offering as well as non-transferable warrants with a fair value of \$68,568 entitling the agent and members of its selling group to purchase up to an aggregate of 480,000 common shares of the Company at a price of \$0.30 per common share until January 30, 2020. The agent also received a corporate finance fee of \$86,054.

Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017 (Amended and Restated)

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7. Share capital (continued)

- (iv) In June 2018, the Company closed a non-brokered private placement by issuing 480,000 units at a price of \$0.25 per unit for gross proceeds of \$120,000. Each unit is comprised of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one additional share in the capital of the Company at a price of \$0.40 until June 29, 2020. The Company incurred share issue costs of \$6,028 in connection with this financing.
- (v) In September 2018, the Company issued 80,000 shares to Objective Exploration LLC for finder's fee on Adobe Property with a fair value of \$9,600.
- (vi) During the year ended December 31, 2018, Pursuant to the Adobe Property agreement between the Company and Intercept Minerals Corporation (note 6(b)), 50,000 shares were issued with a fair value of \$6,000.

Pursuant to the Burro Creek Property agreement between the Company and Coelton Ventures Ltd. (note 6(d)), 500,000 shares were issued with a fair value of \$55,000.

- (vii) In December 2018, the Company completed a non-brokered private placement of 2,200,000 flow-through units at a price of \$0.125 per unit for total proceeds of \$275,000. Each Flow-through Unit will consist of one flow-through common share and one-half of one non flow-through common share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share of the Company at an exercise price of \$0.17 per common share for a period of 24 months until December 28, 2020. The Company incurred share issue costs of \$15,080 in connection with this financing.

The flow-through units were issued at a premium in recognition of the tax benefits accruing to subscribers. The flow-through premium was calculated to be \$55,000.

(c) *Share purchase warrants*

At December 31, 2018, the Company had warrants outstanding and exercisable as follows:

	Number of Warrants	Weighted Average Exercise Price \$
Balance, December 31, 2016	6,367,000	0.17
Granted (b(i))	1,550,000	0.15
Balance, December 31, 2017	7,917,000	0.17
Granted (b(iii))	3,480,000	0.30
Exercised	(100,000)	0.15
Granted (b(iv))	480,000	0.40
Granted (b(vii))	1,100,000	0.17
Balance, December 31, 2018	12,877,000	0.22

The weighted average life of the warrants outstanding at December 31, 2018 is 1.20.

d) *Stock options*

The Company has a stock option plan whereby options to purchase common shares are granted by the board of directors to directors, officers, employees and consultants to the Company. Under the terms of the plan, the Company has reserved an amount of common shares for options up to 10% of the issued and outstanding common shares. Options granted under this plan are non-transferable; expire no later than the tenth anniversary of the date the option is granted and must comply with the requirements of the regulatory authorities.

Sitka Gold Corp.

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7. Share capital (continued)

A summary of outstanding stock options at December 31, 2018 is as follows:

Number of stock options exercisable and outstanding	Exercise price	Expiry date
	\$	
1,000,000	0.25	May 15, 2022
200,000	0.25	March 5, 2023
1,200,000		

Stock option transactions are summarized as follows:

	Number of stock options	Weighted average exercise price \$	Weighted average remaining life (years)
December 31, 2016	-	-	-
Granted (i)	1,000,000	0.25	
December 31, 2017	1,000,000	0.25	4.37
Granted (ii)	200,000	0.25	
December 31, 2018	1,200,000	0.25	3.52

(i) On May 15, 2017, the Company granted 1,000,000 stock options to directors and officers of the Company exercisable at \$0.25 per share for a period of five years until May 15, 2022. The total fair value was estimated to be \$83,120 using the Black-Scholes Option Pricing Model assuming an expected life of 5 years, expected dividend yield of 0%, a risk-free interest rate of 1.02% and an expected volatility of 142%.

(ii) On March 5, 2018, the Company granted 200,000 stock options to certain directors, officers, employees and consultants exercisable at \$0.25 per share for a period of five years until March 5, 2023. The total fair value was estimated to be \$38,686 using the Black-Scholes Option Pricing Model assuming an expected life of 5 years, expected dividend yield of 0%, a risk-free interest rate of 2% and an expected volatility of 132%.

8. Loan payable

During the year ended December 31, 2018, the Company borrowed \$20,000 from an officer (2017 - \$35,000). The total loan of \$55,000 was due on demand, was unsecured and had an interest rate of 12% per annum. The Company repaid the loan plus interest of \$383.

9. Related parties

The Company had the following transaction involving key management during the year ended December 31, 2018:

- (1) An officer of the Company provided geological services to the Company. Fee incurred during the year were \$13,000 (2017- \$3,500).
- (2) A director of the Company provided geological services to the Company. Fee incurred during the year were \$6,000 (2017- \$6,000).
- (3) An officer of the Company provided geological services to the Company. Fee incurred during the year were \$55,393 (2017- \$nil).

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For the Years Ended December 31, 2018 and 2017 (Amended and Restated)

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9. Related parties (continued)

- (4) A company controlled by the director of the Company provided geological services to the Company. Fee incurred during the year were \$14,762 (2017- \$nil).
- (5) A relative of a director of the Company provided website services to the Company. Fee incurred during the year were \$8,251 (2017 - \$nil).
- (6) During the year ended December 31, 2018, 500,000 shares were issued and a payment of \$50,000 was made to a company controlled by the officer of the Company pursuant to the Burro Creek Property agreement.

As of December 31, 2018, included in accounts payable are amounts due to related parties consisting of the following:

	2018	2017
Due to a company controlled by a director of the Company	\$ 15,500	\$ 14,610
Due to a director of the Company	17,949	-
Due to a company controlled by the CEO	-	6,000
Due to a company controlled by a director of the Company	-	6,500
Due to the CEO of the Company	9,058	25,948
Due to the President of the Company	1,130	-
Due to the spouse of a director of the Company	1,588	-
	\$ 45,225	\$ 53,058

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 is minimally affected by changes in short term interest rates.

Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017 (Amended and Restated)

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10. Financial instruments (continued)

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, investments and accounts payable and accrued liabilities.

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

11. Capital Management

Management's objective is to manage its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of share capital and working capital. In order to achieve this objective, management makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust capital structure, management may invest its excess cash in interest bearing accounts of Canadian chartered banks and/or raise additional funds externally as needed. The Company is not subject to externally imposed capital requirements. The Company's management of capital did not change during the year ended December 31, 2018.

12. Income taxes

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

	December 31, 2018	December 31, 2017
Net loss	\$ (341,021)	\$ (265,195)
Statutory tax rate	27%	26%
Income tax recovery	(92,076)	(68,951)
Non-deductible expenditures	14,997	23,470
Impact of flow-through shares	9,670	9,312
Adjustment to prior years provision	(270)	22,452
Other	(23,779)	5,948
Unrecognized tax benefit	91,457	7,769
Deferred income tax recovery	\$ -	\$ -

Sitka Gold Corp.

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12. Income taxes (continued)

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:

	December 31, 2018	December 31, 2017
Exploration and evaluation assets	\$ (89,253)	\$ (76,635)
Share issue costs	529	764
Investment tax credits	28,828	5,707
Non-capital losses carried forward	181,165	99,976
Deferred tax assets	121,269	29,812
Unrecognized deferred tax assets	(121,269)	(29,812)
Net deferred tax assets	\$ -	\$ -

As at December 31, 2018, the Company has approximately \$671,000 of non-capital losses in Canada that may be used to offset future taxable income, expiring between 2035 and 2038.

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

13. Restatement of Consolidated

The consolidated financial statements of the Company as at December 31, 2017 and for the year then ended have been restated to correct material error and omissions in its prior filing. Subsequent to the filing of the financial statements the Company determined that it had not disclosed stock options granted in 2017 or recorded the corresponding share based payment expense – see Note 7. The effect of the restated is as follows:

Consolidated statement of financial position at December 31, 2017:

	As previously reported	Adjustment	Restated
Shareholders' equity			
Reserve	\$ -	\$ 83,120	\$ 83,120
Deficit	\$ (367,014)	\$ (83,120)	\$ (450,134)

Consolidated statement of comprehensive loss for the year ended December 31, 2017:

	As previously reported	Adjustment	Restated
Share-based payments	\$ -	\$ 83,120	\$ 83,120
Comprehensive loss	\$ (182,075)	\$ (83,120)	\$ (265,195)
Basic and diluted loss per share	\$ (0.02)	\$ (0.01)	\$ (0.03)

There was no impact to the classification of cash flows as previously presented.