Canamex Gold Corp.

Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017

Expressed in Canadian Dollars

Smythe CPA

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CANAMEX GOLD CORP.

Opinion

We have audited the consolidated financial statements of Canamex Gold Corp. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2018 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

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 *Auditors' Responsibilities for the Audit of the Consolidated 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 consolidated 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 in the consolidated financial statements, which indicates that the Company incurred a net loss of $4,136,593 during the year ended December 31, 2018 and has a working capital deficiency of $5,114,678 as at December 31, 2018. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate 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.

Other Matter

The consolidated financial statements of the Company for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 23, 2018.

Other Information

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

Our opinion on the consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. 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.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 report to the related disclosures in the consolidated 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 auditors' 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 auditors' report is Kevin Yokichi Nishi.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
September 20, 2019

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Canamex Gold Corp.
Consolidated Statements of Financial Position
As at December 31, 2018 and 2017
(Expressed in Canadian dollars)

	Notes	December 31, 2018	December 31, 2017
ASSETS	7		
Current assets			
Cash		$ 58,668	$ 458,709
Government sales tax receivable	4	32,995	24,438
Prepaid expenses		-	91,523
Reclamation bond		29,663	-
		121,326	574,670
Non-current assets			
Exploration and evaluation assets	5	11,468,956	10,677,667
Reclamation bond		-	27,290
		11,468,956	10,704,957
TOTAL ASSETS		**$ 11,590,282**	**$ 11,279,627**
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	6,9	$ 340,253	$ 335,180
Secured convertible debentures	7	4,878,401	-
SILVERUSA Tokens – subscriptions received	14	17,350	-
		5,236,004	335,180
Non-current liabilities			
Secured convertible debentures	7	-	3,893,649
GOLDUSA Tokens – derivative liabilities	9,13	3,242,686	-
TOTAL LIABILITIES		8,478,690	4,228,829
EQUITY			
Share capital	8	19,290,426	19,261,788
Reserves	7,8	3,705,470	3,536,721
Deficit		(19,884,304)	(15,747,711)
TOTAL EQUITY		3,111,592	7,050,798
TOTAL LIABILITIES AND EQUITY		**$ 11,590,282**	**$ 11,279,627**

Nature of operations and going concern (Note 1)
Subsequent events (Note 16)

Approved on behalf of the Board:

"David Vincent"

"Michael Stark"

The accompanying notes form an integral part of the consolidated financial statements

Canamex Gold Corp.
Consolidated Statements of Comprehensive Loss
For the years ended December 31, 2018 and 2017
(Expressed in Canadian dollars)

	Notes	Years ended December 31, 2018	2017
Expenses			
Consulting	9,13	$ 1,700,492	$ 294,246
Interest and accretion expense	7	779,368	753,008
Management fees	9,13	252,179	273,218
Office and administrative	9	70,885	135,277
Professional fees		85,822	96,742
Share-based payments	8,9	215,209	211,241
Shareholder communications		74,665	187,153
Transfer agent and filing fees		72,462	41,067
Travel		23,384	24,931
Loss before other items		(3,274,466)	(2,016,883)
Other items			
Impairment of exploration and evaluation assets	5	(57,652)	-
Loss on modification of secured convertible debentures	7	(218,244)	-
Loss on conversion of options and warrants to GOLDUSA Tokens	8,13	(34,405)	-
Loss on settlement of debt with GOLDUSA Tokens	13	(314,474)	-
Loss on revaluation of GOLDUSA Tokens	13	(247,852)	-
Issuance of Gold Royalty Tokens	12	10,500	-
Net loss and comprehensive loss		$ (4,136,593)	$ (2,016,883)
Loss per share – basic and diluted		$ (0.07)	$ (0.04)
Weighted average number of common shares outstanding		61,488,801	53,388,788

The accompanying notes form an integral part of the consolidated financial statements

Canamex Gold Corp.
Consolidated Statements of Changes in Equity
For the years ended December 31, 2018 and 2017
(Expressed in Canadian dollars)

	Share capital					
	Number of shares	Amount	Subscription receivable	Reserves	Deficit	Total
Balance at December 31, 2016	**39,308,371**	**$ 16,811,353**	**$ (241,000)**	**$ 3,325,480**	**$(13,730,828)**	**$ 6,165,005**
Units issued for cash	20,741,350	2,488,960	-	-	-	2,488,960
Subscriptions received	-	-	241,000	-	-	241,000
Finders shares and warrants	1,315,955	-	-	-	-	-
Share issuance costs	-	(38,525)	-	-	-	(38,525)
Share-based payments	-	-	-	211,241	-	211,241
Net loss for the year	-	-	-	-	(2,016,883)	(2,016,883)
Balance at December 31, 2017	**61,365,676**	**$ 19,261,788**	**$ -**	**$ 3,536,721**	**$(15,747,711)**	**$ 7,050,798**
Exercise of options	50,000	12,200	-	(4,200)	-	8,000
Conversion of debentures	80,375	16,438	-	(3,578)	-	12,860
Share-based payments	-	-	-	215,209	-	215,209
Conversion of options and warrants to GOLDUSA Tokens	-	-	-	(38,682)	-	(38,682)
Net loss for the year	-	-	-	-	(4,136,593)	(4,136,593)
Balance at December 31, 2018	**61,496,051**	**$ 19,290,426**	**$ -**	**$ 3,705,470**	**$(19,884,304)**	**$ 3,111,592**

The accompanying notes form an integral part of the consolidated financial statements

Canamex Gold Corp.
Consolidated Statements of Cash Flows
For the years ended December 31, 2018 and 2017
(Expressed in Canadian dollars)

	Years ended December 31, 2018	2017
Operating activities		
Net loss	$ (4,136,593)	$ (2,016,883)
Adjustments for non-cash items:		
Impairment of exploration and evaluation assets (Note 5)	57,652	-
Accrued interest and accretion expense (Note 7)	779,368	417,148
Foreign exchange	(2,373)	-
Loss on conversion of options and warrants to GOLDUSA Tokens (Note 13)	34,405	-
Loss on settlement of debt with GOLDUSA Tokens (Note 13)	314,474	-
Loss on revaluation of GOLDUSA Tokens (Note 13)	247,852	-
Management and consulting fees paid in GOLDUSA Tokens (Note 13)	1,608,788	-
Share-based payments (Note 8)	215,209	211,241
Loss on modification of secured convertible debentures (Note 7)	218,244	-
Changes in non-cash working capital items:		
Government sales tax receivable	(8,557)	68,027
Prepaid expenses	91,523	55,665
Trade payables and accrued liabilities	26,198	(20,395)
Net cash flows used in operating activities	**(553,810)**	(1,285,197)
Investing activities		
Exploration and evaluation assets	(265,769)	(2,375,536)
Reclamation bond	-	(21,501)
Net cash flows used in investing activities	**(265,769)**	(2,397,037)
Financing activities		
Exercise of options	8,000	-
Proceeds from issuance of units, net of share issuance costs	-	2,450,435
Share subscriptions received	-	241,000
Proceeds from GOLDUSA Tokens (Note 13)	394,188	-
Proceeds from SILVERUSA Tokens (Note 14)	17,350	-
Net cash flows from financing activities	**419,538**	2,691,435
Decrease in cash	(400,041)	(990,799)
Cash, beginning	458,709	1,449,508
Cash, ending	**$ 58,668**	$ 458,709
Non-cash transactions		
Fair value of units issued to finders	**$ -**	**$ 157,915**
Unpaid interest on secured convertible debentures	**$ 577,523**	**$ 39,130**
Conversion of convertible debentures into shares	**$ 12,860**	**$ -**
Exploration and evaluation assets included in trade payables and accrued liabilities	**$ 107**	**$ -**
1.5% NSR buy-back with GOLDUSA Tokens	**$ 583,065**	**$ -**
Trade payables and accrued liabilities settled with GOLDUSA Tokens	**$ 21,232**	**$ -**
Supplemental disclosures		
Income taxes paid	**$ -**	**$ -**
Interest paid	**$ 39,130**	**$ 296,730**

The accompanying notes form an integral part of the consolidated financial statements

1. Nature of operations and going concern

Canamex Gold Corp.'s (the "Company") head office and primary place of business is located at 750 West Pender Street, Suite 804, Vancouver, British Columbia, Canada, V6C 2T7. The Company was previously a Tier 2 mining issuer on the TSX Venture Exchange ("TSX-V"). On April 23, 2018, the Company was accepted by the Canadian Securities Exchange (the "CSE") for its securities primary market listing in Canada. On May 2, 2018, the Company's common shares have been approved for listing on the CSE under the symbol of "CSQ". The Company's shares were halted from trading by the British Columbia Securities Commission on May 7, 2019 for failure to file these consolidated financial statements by the required filing date.

The Company was incorporated under the laws of Alberta on May 26, 1987. On August 18, 2009, the shareholders approved both the continuation of the Company from the *Business Corporations Act* (Alberta) to the *Business Corporations Act* (British Columbia) and the new articles of the Company.

These consolidated financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for the foreseeable future. The Company is in the process of exploring mineral resource properties and has not yet determined whether the properties contain reserves that are economically recoverable. As at December 31, 2018, the Company had not advanced any property to commercial production and is not able to finance day to day activities through operations. The Company has incurred losses since its inception. For the year ended December 31, 2018, the Company had a net loss of $4,136,593 (2017 – $2,016,883) and as at December 31, 2018, the Company has an accumulated deficit of $19,884,304 (2017 – $15,747,711) which has been funded primarily by the issuance of debt and equity. There is a material uncertainty related to these conditions that casts significant doubt about the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern depends upon its ability to raise adequate financing and to generate profitable operations in the future. Although the Company has been successful in obtaining the necessary financing to continue operations in the past, there can be no assurance that it will be able to or do so on terms acceptable to the Company in the future. These consolidated financial statements do not include any adjustments related to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. Significant accounting policies and basis of preparation

The Company's consolidated financial statements were authorized for issuance on September 20, 2019 by the Board of Directors.

Statement of compliance

These consolidated financial statements of the Company have been 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 Interpretation Committee ("IFRIC").

Effective January 1, 2018, the Company adopted IFRS 9 *Financial Instruments* ("IFRS 9"). IFRS 9 was adopted retrospectively with no restatement to comparative periods, as permitted by the transition provisions of the standard. As a result of the application of IFRS 9, the Company changed its accounting policies for financial instruments and impairment thereon as described in Note 2.

2. Significant accounting policies and basis of preparation (cont'd)

Basis of preparation

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified for specific financial instruments carried at fair value where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted. The Company and its subsidiaries' functional currency is Canadian dollars.

Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Canamex Resources US Inc. ("Canamex US"), Canamex Guyana Inc. ("Canamex Guyana") and newly incorporated ChainDelivery Royalties Corp. ("ChainDelivery"). Canamex US was incorporated in the State of Nevada, USA, Canamex Guyana was incorporated in Guyana and ChainDelivery was incorporated in British Columbia, Canada. ChainDelivery was incorporated during the year ended December 31, 2018. These consolidated financial statements include ChainDelivery's operating results from the date of incorporation. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation. Control is based on whether an investor has power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of returns.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from those estimates.

The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

a) Exploration and evaluation expenditures and impairment

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. The carrying value of non-financial assets is reviewed each reporting period upon the occurrence of events or changes in circumstances indicating that the carrying value of assets may not be recoverable and when criteria of assets held for sale are met to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in profit or loss. The assessment of fair values, including those of the cash-generating units (the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflow from other assets or groups of assets) ("CGUs"), require the use of estimates and assumptions for recoverable production, long-term commodity prices, discount rates, foreign exchange rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of non-financial assets could impact the impairment analysis.

2. Significant accounting policies and basis of preparation (cont'd)

Significant accounting judgments, estimates and assumptions *(cont'd)*

b) Site closure and reclamation provisions

The Company assesses its mineral properties' rehabilitation provision at each reporting date or when new material information becomes available. Exploration, development and mining activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation obligations requires management to make estimates of the future costs that the Company will incur to complete the reclamation work required to comply with existing laws and regulations at each location. Actual costs incurred may differ from those amounts estimated.

Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the amounts currently provided.

c) Share-based payments and finders' warrants

Management uses valuation techniques in measuring the fair value of share options and finders' warrants granted. The fair value is determined using the Black-Scholes option pricing model which requires management to make certain estimates, judgments, and assumptions in relation to the expected life, expected volatility, expected risk-free rate, and expected forfeiture rate (Note 8). Changes to these assumptions could have a material impact on the Company's consolidated financial statements.

d) Deferred income taxes

Judgment is required to determine which types of arrangements are considered to be a tax on income in contrast to an operating cost. Judgment is also required in determining whether deferred tax liabilities are recognized in the consolidated statements of financial position. Deferred tax assets, including those potentially arising from unutilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable income in future periods, in order to recognize deferred tax assets. Assumptions about the generation of future taxable income depend on management's estimates of future operations and cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, and other capital management transactions) and judgment about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize deferred tax assets or offset these against any deferred tax liabilities recorded at the reporting date could be impacted.

2. Significant accounting policies and basis of preparation (cont'd)

Significant accounting judgments, estimates and assumptions (cont'd)

e) Discount rate used for convertible debt

The determination of the carrying value of the convertible debt on initial issuance is subject to management's estimates in determining an appropriate discount rate based on similar instruments with no conversion features.

f) Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

g) Tokens

Management uses a modified option pricing model in measuring the fair value of the GOLDUSA Tokens, SILVERUSA Tokens, and Gold Royalty Tokens. The modified option pricing model requires management to make certain estimates, judgments, and assumptions in relation to the expected life, risk-free rate, volatility of commodity prices and expected future price of gold and silver commodities. Changes to these assumptions could have a material impact on the Company's consolidated financial statements.

h) Functional currency

The functional currency of the Company and its subsidiaries is the currency of the primary economic environment and the Company reconsiders the functional currency if there is a change in events and conditions which determined the primary economic environment.

i) Modification versus extinguishment of financial liability

Judgment is required in applying IFRS 9 to determine whether the amended terms of the secured convertible debenture are a substantial modification of an existing financial liability and whether it should be accounted for as an extinguishment of the original financial liability.

Share capital

The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are issued and any residual value is allocated to warrants reserve. Proceeds from the exercise of stock options and warrants is recorded in share capital and the related value in reserves is transferred to share capital. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance.

Share issue costs

Professional fees, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred share issue costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. The Company charges share issue costs to share capital when the related shares are issued. Deferred share issue costs related to financing transactions that are not completed are charged to profit or loss.

2. Significant accounting policies and basis of preparation (cont'd)

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

Foreign currency translation

Foreign currency transactions are translated into the 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 profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income 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.

Exploration and evaluation expenditures

Amounts reported in exploration and evaluation expenditures include the costs of acquiring licenses, reduction of net smelter return, and costs associated with exploration and evaluation activity. Exploration and evaluation expenditures are capitalized and are classified as intangible assets. Costs incurred before the Company has obtained the legal rights to explore an area are expensed.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to the mineral resource property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

2. Significant accounting policies and basis of preparation (cont'd)

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 reserves. The fair value of options is determined using a Black–Scholes pricing model which incorporates market vesting conditions. 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.

Financial Instruments

Financial assets

Recognition and measurement of financial assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

Classification of financial assets

The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss. The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

- Financial assets measured at amortized cost

  A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

  - The Company's business model for the such financial assets, is to hold the assets in order to collect contractual cash flows.
  - The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

  A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

- Financial assets measured at fair value through other comprehensive income ("FVTOCI")

  A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income are directly transferred to deficit when the financial instrument is derecognized or its fair value substantially decreases.

2. Significant accounting policies and basis of preparation (cont'd)

Financial Instruments (cont'd)

- Financial assets measured at fair value through profit or loss ("FVTPL")

  A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

Derecognition of financial assets

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in the consolidated statement of comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

Financial liabilities

Recognition and measurement of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

Classification of financial liabilities

The Company classifies financial liabilities at initial recognition as financial liabilities: measured at amortized cost or measured at fair value through profit or loss.

- Financial liabilities measured at amortized cost

  A financial liability at amortized cost is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method.

- Financial liabilities measured at fair value through profit or loss

  A financial liability measured at fair value through profit or loss is initially measured at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial liability is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

2. Significant accounting policies and basis of preparation (cont'd)

Financial Instruments (cont'd)

Derecognition of financial liabilities

The Company derecognizes a financial liability when the financial liability is discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of comprehensive loss.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

Impairment of assets

The carrying amounts of the Company's assets (which include exploration and evaluation 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 profit or loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing 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 specific 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.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

2. Significant accounting policies and basis of preparation (cont'd)

Income taxes

a) 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 the 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 valuates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

b) Deferred income tax

Deferred income taxes are recorded using the asset and liability method of tax allocation. Under this method, deferred income tax assets and liabilities are determined based on temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income 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 by the end of the reporting period.

Deferred income 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 income taxes relate to the same taxable entity and the same taxation authority.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. At each financial position reporting date presented the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

Convertible debentures

Convertible debentures, where applicable, are separated into their liability and equity components and accounted for using the effective interest rate method. The fair value of the liability component at the time of issue is determined based on an estimated interest rate of the debentures without the conversion feature. The fair value of the equity component is determined as the difference between the face value and the fair value of the liability component.

2. Significant accounting policies and basis of preparation (cont'd)

Gold Royalty Tokens, GOLDUSA Tokens and SILVERUSA Tokens

Each Gold Royalty Token represents a 13-year instrument that can only be redeemed for 1/200 oz. of gold on successful commercial production of the Company's Bruner Property. The royalty obligation will be registered against the Bruner Property. If the Company, or its successors or trustees, fail to place Bruner Property into production, within the next 13 years, the Gold Royalty Tokens may have little or no value. Issuance of Gold Royalty Tokens are recorded as income on issue date.

Each GOLDUSA Token represents a perpetual instrument that can be redeemed for 1/200 oz. of gold at the earlier of (a) 3 years from the closing of the token private placement, and (b) 180 days after declaration of commercial production of gold from the Company's exploration and evaluation assets. A queueing system for delivery will be implemented, whereby a maximum of 10% of the tokens issued may elect for delivery in each respective year that GOLDUSA Tokens are redeemable. The Company may settle in cash if the Company is unable to deliver gold on redemption. Issuance of GOLDUSA Tokens in exchange for cash are initially recorded at the fair value being cash received, then subsequently remeasured at fair value determined by a modified option pricing model at each reporting date. The resulting gain or loss is recorded in the profit or loss. Issuance of GOLDUSA Tokens for non-monetary consideration is measured at the fair value on the date of the transaction. At each subsequent reporting date, the GOLDUSA tokens are re-measured using a modified option pricing model based on the underlying gold prices on measurement date, historical volatility of gold prices, US Treasury risk free rate, and the estimated term to redemption with the gain or loss recognized in profit or loss. Since the GOLDUSA Tokens are to be settled in cash if the Company does not have sufficient gold reserves, the Company has accounted for these as derivative liabilities remeasured at fair value through profit and loss.

GOLDUSA Tokens may be issued in exchange for cash, for settlement of debt or other financial instruments, or for services rendered to the Company.

SILVERUSA Tokens represents a perpetual instrument that can be redeemed for 1/2 oz. of silver with the same terms and accounting treatment as the GOLDUSA Tokens described above.

Changes in accounting policies

a) IFRS 9 *Financial Instruments*

The Company adopted IFRS 9, which replaced IAS 39 *Financial Instruments: Recognition and Measurement*, in its consolidated financial statements beginning January 1, 2018. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities, however it eliminates the previous IAS 39 categories for financial assets held to maturity, loans and receivables and available for sale.

As a result of the adoption of IFRS 9, the Company has changed its accounting policy for financial instruments retrospectively. There were no material changes in the measurement and carrying values of the Company's financial instruments as a result of the adoption. IFRS 9 does not require a restatement of comparative periods.

(Expressed in Canadian dollars)

2. Significant accounting policies and basis of preparation (cont'd)

Changes in accounting policies (cont'd)

The Company's financial instruments are accounted for as follows under IFRS 9 as compared to the Company's previous policy in accordance with IAS 39:

January 1, 2018		
	IAS 39	**IFRS 9**
Financial Assets		
Cash	FVTPL	FVTPL
Reclamation bond	Amortized cost	Amortized cost
Financial Liabilities		
Trade payables and accrued liabilities	Amortized cost	Amortized cost
Secured convertible debentures	Amortized cost	Amortized cost

b) IFRS 15 *Revenue from Contracts with Customers*

On May 28, 2014 the IASB issued IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18 *Revenue* and IAS 11 *Construction contracts* and related interpretations. The adoption of IFRS 15 did not have a material impact on the Company's consolidated financial statements.

3. New accounting standards not yet effective

IFRS 16 *Leases* ("IFRS 16") **-** IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties of a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 *Leases* and instead introduces a single lessee accounting model. IFRS 16 is effective for the Company's reporting periods beginning on January 1, 2019.

The Company does not expect the adoption of IFRS 16 to have a material impact on the Company's consolidated financial statements.

4. Government sales tax receivable

	December 31, 2018	**December 31, 2017**
Government sales tax receivable	$ 32,995	$ 24,438

5. Exploration and evaluation assets

Nye County, Nevada USA ("Bruner Property")

On May 28, 2010, the Company entered into a property option agreement ("Option Agreement") with Provex Resources Inc. ("Provex"), a company with a director in common with the Company at the time, granting an exclusive right and option to acquire up to a 75% interest in certain mineral claims in the Bruner Property.

During the year ended December 31, 2017, the Company completed its acquisition of a 100% interest in the claims comprising the Bruner Property for a payment of US $1,000,000.

Certain claims comprising the Bruner property are subject to a 2.0% - 3.5% net smelter return ("NSR") royalty upon production. On August 21, 2018, the Company executed a Sale and Purchase Agreement ("SPA") with American International Ventures Inc. ("AIVN"). Under the terms of the SPA, the Company will complete a buyback of a 1.5% NSR retained by AIVN in accordance with the original Option Agreement for the Bruner Property. The agreed buyback purchase price is $583,065 (US $450,000) for the 1.5% NSR retained by AIVN. Subsequent to the SPA, AIVN agreed to settle the buyback purchase price by the Company issuing to AIVN 112,500 GOLDUSA Tokens, at a deemed price of US $4.00 per GOLDUSA Token, as full consideration for the buyback (Note 13).

Silverton Property

On October 17, 2017, the Company entered into a lease and option agreement (the "Agreement") with Precious Metals LLC ("Precious Metals"), whereby Precious Metals agreed to lease the Silverton Property to the Company on an annual basis, on the following terms:

(a) Precious Metals will stake and record an additional 50 lode mining claims as directed by the Company around the original Silverton Property mining claims of Precious Metals, the cost of which will be paid by the Company.

(b) The Company will pay Precious Metals the following cash payments in U.S. dollars:

  a. $15,000 on execution of the Agreement (paid);
  b. $20,000 within 12 months from the date of the Agreement ($5,000 paid in October 2018 and $15,000 extended to January 15, 2019, which was further extended to March 15, 2019 by agreeing to add an additional $5,000 to the outstanding option payment of $15,000.);
  c. $25,000 within 24 months from the date of the Agreement;
  d. $30,000 within 36 months from the date of the Agreement;
  e. $30,000 on each anniversary date of the Agreement thereafter until the claims are in production; and
  f. 2.0% NSR

The Company has the right to acquire a 100% interest to the Silverton Property from Precious Metals prior to production on the Silverton Property, by paying Precious Metals US$1,250,000 cash. The Company has the option to purchase the 2% NSR, distinct and separate from the option to purchase the Silverton Property, by paying Precious Metals US$1,250,000 cash.

During the year ended December 31, 2018, due to the lack of financing, the Company has determined that it does not have adequate resources to conduct further exploration on the Silverton Property. As such, the Company wrote down the carrying value from $57,653 to $1 in accordance with Level 3 of the fair value hierarchy. Subsequent to December 31, 2018, the Company dropped the lease.

(Expressed in Canadian dollars)

5. Exploration and evaluation assets (cont'd)

For the years ended December 31, 2018 and 2017, the Company incurred the following expenditures on the properties:

Bruner Property, Nevada	**December 31, 2018**	**December 31, 2017**
Property acquisition costs		
Balance, beginning of the year	$ 2,335,518	$ 1,040,698
Additions during the year (Note 13)	583,065	1,294,820
	2,918,583	2,335,518
Exploration and evaluation costs		
Balance, beginning of the year	8,294,860	7,261,432
Costs incurred during the year:		
Assays	11,517	-
Drilling and related costs	45,032	426,470
Field work	18,357	44,584
Geological	94,697	511,697
Mineral rights options payment	60,836	42,450
Travel and accommodation	25,072	8,227
	8,550,371	8,294,860
Total - Bruner Property	$ 11,468,954	$ 10,630,378

Silverton Property, Nevada		
Property acquisition costs		
Balance, beginning of the year	$ 47,288	$ -
Additions during the year	6,478	47,288
Impairment	(53,765)	-
	1	47,288
Exploration and evaluation costs		
Balance, beginning of the year	-	-
Geological	3,887	-
Impairment	(3,887)	-
	-	-
Total - Silverton Property	$ 1	$ 47,288

Aranka North Property, Guyana		
Property acquisition costs		
Balance, beginning of the year	$ 1	$ 1
Total - Aranka North Property	$ 1	$ 1
Total exploration and evaluation assets	$ 11,468,956	$ 10,677,667

(Expressed in Canadian dollars)

6. Trade payables and accrued liabilities

	December 31, 2018	December 31, 2017
Trade payables	$ 235,958	$ 140,650
Amounts due to related parties (Note 9)	74,295	73,956
Accrued liabilities	30,000	81,444
Interest payable	-	39,130
	$ 340,253	$ 335,180

7. Secured convertible debentures

During 2016, the Company completed a non-brokered private placement of secured convertible debentures ("2016 Convertible Debentures") that were issued in two tranches. These 2016 Convertible Debentures have a first ranking security over the Company's interest in the Bruner Gold Property (Note 5) and by the general assets of the Company.

a) In October 2016, the Company closed the first tranche of a non-brokered private placement for gross proceeds of $4,239,000, under which the Company issued an aggregate principal amount of $4,239,000 of secured convertible debentures (the "Debentures"), maturing in three years on October 25, 2019. The Debentures are convertible into common shares at the option of the holder at a conversion price of $0.16 per share (the "Conversion Price") until October 25, 2019.

   In addition, the holders of the Debentures received a total of 26,493,750 warrants ("Debenture Warrants"). Each Debenture Warrant is exercisable into a common share on or before October 25, 2019 at an exercise price of $0.20 per share. Interest on the Debentures shall be paid annually in arrears, at an annual rate of interest of 7% per annum or alternatively, if paid in shares the rate would be 10%.

   A finder was issued 307,125 compensation warrants and each warrant is exercisable at $0.20 per share until expiry on October 25, 2019.

b) In December 2016, the Company closed the second tranche of a non-brokered private placement for gross proceeds of $559,000, under which the Company issued an aggregate principal amount of $559,000 of secured convertible debentures (the "Debentures"), maturing in three years on December 23, 2019. The Debentures are convertible into common shares at the option of the holder at a conversion price of $0.16 per share until December 23, 2019.

   In addition, the holders of Debentures received a total of 3,493,750 warrants ("Debenture Warrants"). Each Debenture Warrant will be exercisable into a common share on or before December 23, 2019 at an exercise price of $0.20 per share. Interest on the Debentures shall be paid annually in arrears, at an annual rate of interest of 7% per annum or alternatively, if paid in shares the rate would be 10%.

   A finder was issued 209,625 compensation warrants and each warrant is exercisable at $0.20 per share until expiry on December 23, 2019.

   In January 2018, a total principal of $12,860 of convertible debentures was converted into common shares at $0.16 per share for 80,375 common shares of the Company (Note 8). The equity portion of $3,578 was reclassified from reserves into share capital at the time of conversion.

(Expressed in Canadian dollars)

7. Secured convertible debentures (cont'd)

The following table summarizes accounting for the convertible debentures and the amounts recognized in respect of the liability and equity components during the years ended December 31, 2018 and 2017:

Principal		
Issued during year ended December 31, 2016	$	4,798,000
Liability		
Gross proceeds received	$	4,798,000
Issuance costs		(104,743)
Equity component less issue costs allocated		(1,334,959)
Liability component initially recognized		3,358,298
Accretion and interest expense recognized during 2016		118,203
Balance at December 31, 2016		3,476,501
Accretion and interest expense recognized during 2017		753,008
Interest paid and payable during 2017		(335,860)
Balance at December 31, 2017		3,893,649
Conversion to common shares		(12,860)
Modification of secured convertible debentures		218,244
Accretion and interest expense recognized during 2018		779,368
Balance at December 31, 2018	$	4,878,401
Equity		
Equity component initially recognized in reserves	$	1,334,959
Issuance costs		(40,377)
Deferred income tax recovery		(358,287)
Balance at December 31, 2016 and 2017		936,295
Reversal of equity component on conversion		(3,578)
Balance at December 31, 2018	$	932,717

For accounting purposes, the convertible debentures were separated into their liability and equity components using the residual method. The Company determined the conversion feature and Debenture Warrants components of the convertible debenture meet the definition of equity instruments as the Company is obligated to issue a fixed number of shares for a fixed price. The fair value of the liability component at the time of issue was determined based on an estimated discount rate of 20% for debentures without the conversion feature. The fair value of the equity component was determined as the difference between the face value of the debentures and the fair value of the liability component. After initial recognition the liability component is carried on an amortized cost basis and is being accreted to its face value over the term to maturity of the debenture at an effective interest rate of approximately 21%. The Company also recorded a recovery of a deferred income tax liability of $358,287 that was recognized in equity relating to the difference between the Company's accounting and tax basis of its convertible debenture liability.

During the year ended December 31, 2018, as the Company failed to pay interest accrued on the 2016 Convertible Debentures, the interest rate on the principal outstanding increased from 7% to 10% per annum. The change in the interest rate was accounted for as a modification of the 2016 Convertible Debenture and a loss on modification of secured convertible debentures of $218,244 was recorded in net loss.

8. Share capital and reserves

Authorized share capital

The Company has authorized an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

Shares issued during the year ended December 31, 2018

In January 2018, the Company issued 80,375 common shares on conversion of Debentures in the amount of $72,410 (Note 7).

On January 24, 2018, the Company issued 50,000 common shares for gross proceeds of $8,000 pursuant to the exercise of stock options with an exercise price of $0.16. The Company's share price on exercise of the stock options was $0.22.

Shares issued during the year ended December 31, 2017

On May 12, 2017, the Company closed a non-brokered private placement of 20,741,350 units for gross proceeds of $2,488,960 at a price of $0.12 per unit. In connection with the private placement, the Company issued 1,315,955 units to finders and incurred cash share issuance costs of $38,525. Each unit is comprised of one common share and one warrant exercisable into a common share for $0.20 per share for a period of five years.

Stock options

The Company has adopted a 10% rolling stock option plan which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX-V requirements, grant options to directors, officers, employees, and consultants of the Company, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. Options granted vest at the discretion of the Board of Directors.

The Company uses the Black-Scholes option pricing model to value the stock options granted during the year. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The model requires management to make estimates which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

Stock option transactions during the year ended December 31, 2018

On January 5, 2018, the Company granted 250,000 stock options to certain consultants. The options vested immediately. The options have an exercise price of $0.215 per share and expire in five years.

On January 22, 2018, the Company granted 150,000 stock options to a director. The options vested immediately. The options have an exercise price of $0.21 per share and expire in five years.

On November 30, 2018, the Company granted 3,323,669 stock options to certain directors, officers and consultants. The options vested immediately. The options have an exercise price of $0.06 per share and expire in five years.

During the year ended December 31, 2018, the Company entered into stock option conversion agreements with various directors and officers to convert outstanding stock options into GOLDUSA tokens. For every 100 stock options outstanding, the option holder received 1 GOLDUSA Token. A total of 1,340,669 stock options were converted into 134,067 GOLDUSA Tokens.

(Expressed in Canadian dollars)

8. Share capital and reserves (cont'd)

Stock options (cont'd)

Stock option transactions during the year ended December 31, 2017

During the year ended December 31, 2017, the Company granted 2,135,000 stock options to certain directors, officers and consultants of the Company. The options granted vested immediately and are exercisable for a period of five years from the date of grant at varying prices.

During the year ended December 31, 2017, 1,143,750 stock options expired unexercised.

Stock option summary

The changes in options during the years ended December 31, 2018 and 2017 are summarized as follow:

	December 31, 2018		December 31, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of year	3,800,669	$ 0.26	2,809,419	$ 0.52
Options granted	3,723,669	0.08	2,135,000	0.16
Options exercised	(50,000)	0.16	-	-
Options expired/cancelled	-	-	(1,143,750)	0.70
Options converted to GOLDUSA Tokens	(1,340,669)	0.28	-	-
Options outstanding and exercisable, end of year	6,133,669	$ 0.11	3,800,669	$ 0.26

During the year ended December 31, 2018, the Company recorded share-based payment expense of $215,209 (2017 - $211,241), representing the fair value of the stock options granted. The fair value of the stock options granted was calculated using the Black-Scholes option pricing model with following weighted average assumptions:

	December 31, 2018	December 31, 2017
Risk-free interest rate	2.19%	1.31%
Expected dividend yield	0.00%	0.00%
Expected forfeiture rate	0.00%	0.00%
Expected option life (years)	5.00 years	5.00 years
Expected stock price volatility	114%	136%

(Expressed in Canadian dollars)

8. Share capital and reserves (cont'd)

Stock options (cont'd)

Details of options outstanding and exercisable at December 31, 2018 are as follows:

Date of expiry	Exercise price	Number of options	Weighted Average Remaining Contractual life, years	Weighted Average Exercise Price
March 13, 2019	$0.52	287,500	0.20	$0.52
January 26, 2020	$0.64	250,000	1.07	$0.64
October 21, 2020	$0.20	337,500	1.81	$0.20
February 23, 2022	$0.16	1,025,000	3.15	$0.16
September 5, 2022	$0.16	250,000	3.68	$0.16
November 24, 2022	$0.16	500,000	3.90	$0.16
December 8, 2022	$0.25	60,000	3.94	$0.25
January 5, 2023	$0.215	100,000	4.02	$0.215
November 30, 2023	$0.06	3,323,669	4.92	$0.06
		6,133,669	3.92	$ 0.11

Subsequent to December 31, 2018, 287,500 stock options with an exercise price of $0.52 per share expired unexercised.

Warrants

The changes in warrants during the years ended December 31, 2018 and 2017 are summarized as follow:

	December 31, 2018		December 31, 2017	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning of year	59,072,093	$ 0.20	37,125,038	$ 0.20
Warrants issued	-	-	22,057,305	0.20
Warrants expired	-	-	(110,250)	0.20
Warrants converted to GOLDUSA Tokens	(550,000)	0.20	-	-
Warrants outstanding, end of year	58,522,093	$ 0.20	59,072,093	$ 0.20

During the year ended December 31, 2018, the Company entered into warrant conversion agreements with various directors and officers to convert outstanding warrants into GOLDUSA Tokens. For every 100 warrants outstanding, the warrant holder received 1 GOLDUSA Token. A total of 550,000 warrants were converted into 5,500 GOLDUSA Tokens (Note 13).

(Expressed in Canadian dollars)

8. Share capital and reserves (cont'd)

Warrants (cont'd)

Details of warrants outstanding and exercisable at December 31, 2018 are as follows:

Date of expiry	Exercise price	Number of warrants	Weighted Average Remaining Contractual life, years	Weighted Average Exercise Price
October 25, 2019	$0.20	26,800,875	0.82	$ 0.20
December 23, 2019	$0.20	3,703,375	0.98	0.20
September 21, 2020	$0.28	399,238	1.73	0.28
October 24, 2021	$0.20	3,992,500	2.82	0.20
December 29, 2021	$0.20	1,618,800	3.00	0.20
May 12, 2022	$0.20	22,007,305	3.36	0.20
		58,522,093	1.99	$ 0.20

9. Related party transactions and balances

Related party balances

Amounts due to related parties consist of charges accrued for office administration, management fees and directors' fees. These amounts are due to directors, officers, or companies controlled by directors or officers.

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

The following amounts due to related parties are included in trade payables and accrued liabilities:

	December 31, 2018	December 31, 2017
Directors and officers	$ 46,000	$ 39,278
Companies controlled by directors and officers	11,507	21,678
A company with officers and directors in common(1)	16,788	-
Tokens to be issued(2)	134,144	-
Survivor benefit(3)	-	13,000
	$ 208,439	$ 73,956

(1) During the year ended December 31, 2018, the Company incurred $7,200 (2017 – $1,800) in rent expense from a company with officers and directors in common.

(2) During the year ended December 31, 2018, the Company started paying certain management and directors' fees in GOLDUSA Tokens. As at December 31, 2018, the total amount due to officers and directors in GOLDUSA Tokens for monthly management and directors' fees total 16,300 GOLDUSA Tokens with a fair value of $134,144 as at December 31, 2018. This amount is included in GOLDUSA Tokens - derivative liabilities (Note 13).

(3) Pursuant to a management services agreement, the Company has accrued a payable to the estate of the late CEO of the Company.

(Expressed in Canadian dollars)

9. Related party transactions and balances (cont'd)

Key management compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers. Key management personnel include the Company's President, CEO and all directors. The remuneration of key management personnel during the years ended December 31, 2018 and 2017 is as follows:

	Years ended December 31, 2018	2017
Directors' fees	$ 41,204	$ 29,000
Management fees	156,442	25,500
Share-based payments	180,859	122,629
	$ 378,505	$ 177,129

Related party transactions

Management fees were incurred from companies controlled by the Company's President and CFO. Directors' fees were incurred from a company controlled by the Company's Chairman. Rent was incurred from a company with officers and directors in common. Transactions with related parties during the years ended December 31, 2018 and 2017 is as follows:

	Years ended December 31, 2018	2017
Directors' fees	$ 68,859	$ 70,000
Management fees	58,496	299,452
Rent	7,200	1,800
	$ 134,555	$ 371,252

Secured convertible debentures

As at December 31, 2018, $3,802,411 (2017 - $3,462,411) was owed to a company controlled by a director of the Company. This includes $402,411 (2017 - $62,411) of accrued interest, of which $340,000 was charged during the year ended December 31, 2018 (2017 - $238,000).

10. Financial risk and capital management

The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada. As most of the Company's cash is held by banks there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions, as determined by rating agencies.

10. Financial risk and capital management (cont'd)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. The Company has a working capital deficit of $5,114,678. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. The Company's trade payables are generally due in terms ranging from 30 to 90 days.

Contractual undiscounted cash flow requirements for financial liabilities as at December 31, 2018 are as follows:

	Less Than 1 Year $	Years 2 and 3 $	Years 4 and 5 $	More Than 5 Years $	Total $
Trade payables and accrued liabilities	340,253	–	–	–	340,253
Secured convertible debentures	5,342,663	–	–	–	5,342,663
SILVERUSA Tokens – subscriptions received	17,350	–	–	–	17,350
GOLDUSA Tokens – derivative liabilities	–	324,269	648,538	2,269,879	3,242,686
	5,700,266	324,269	648,538	2,269,879	8,942,952

Foreign exchange risk

Foreign exchange risk is the risk that the future fair value of cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. The Company's financial results are reported in Canadian dollars while it conducts a significant portion of its business activities in US dollars. The assets, liabilities and expenses that are denominated in US dollars will be affected by changes in the exchange rate between the Canadian dollar and the US dollar. Gold and silver prices are also quoted in US dollars. If the Canadian dollar changes by 9% against the US dollar, with all other variables held constant, the impact on the Company's foreign denominated financial instruments would result in a reduction or increase of after-tax net loss of approximately $285,000 for the year ended December 31, 2018 (2017 – $1,000).

Interest rate risk

The Company is not currently exposed to significant interest rate risk.

Commodity risk

The Company's exploration and evaluation properties, Gold Royalty Tokens, GOLDUSA tokens and SILVERUSA tokens are closely tied to the price of gold and silver and the outlook for these mineral commodities. Changes in the price of gold can significantly impair the economic viability of the Company's projects, the ability to obtain future financing, and ability to settle token derivative liabilities.

(Expressed in Canadian dollars)

10. Financial risk and capital management (cont'd)

Classification of financial instruments

Financial assets classified as fair value through profit or loss:

	December 31, 2018	December 31, 2017
Cash	$ 58,668	$ 458,709

Financial liabilities at amortized costs:

	December 31, 2018	December 31, 2017
Trade payables	$ 231,826	$ 140,650
Amounts due to related parties	$ 74,295	$ 73,956
Accrued liabilities	$ 34,132	$ 81,444
SILVERUSA Tokens – subscriptions received	$ 17,350	$ -
Interest payable on secured convertible debentures	$ 557,523	$ 39,130
Secured convertible debentures	$ 4,320,878	$ 3,893,649

Financial liabilities at fair value through profit and loss:

	December 31, 2018	December 31, 2017
GOLDUSA Tokens – derivative liabilities	$ 3,242,686	$ -

Fair value

The fair value of the Company's financial assets and liabilities, other than derivative liabilities, approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial assets measured at fair value on a recurring basis consist of cash which is classified as level 1. The Company's derivative liabilities are measured at fair value based on level 3.

(Expressed in Canadian dollars)

10. Financial risk and capital management (cont'd)

Capital management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in shareholders' equity and long-term liabilities as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, tokens, sell assets to settle liabilities or return capital to its shareholders. The Company is not exposed to externally imposed capital requirements.

11. Segmented information

Operating segments

The Company operates in a single reportable operating segment – the acquisition and exploration of mining properties.

Geographic segments

The Company's non-current assets are located in the following countries:

	As at December 31, 2018		
	Guyana	US	Total
Exploration and evaluation assets	$ 1	$ 11,468,955	$ 11,468,956

	As at December 31, 2017		
	Guyana	US	Total
Exploration and evaluation assets	$ 1	$ 10,677,666	$ 10,677,667
Reclamation bond	$ -	$ 27,290	$ 27,290

12. Gold Royalty Tokens

During the year ended December 31, 2018, The Gold Royalty Tokens were issued as part of a non-brokered private placement of Gold Royalty Tokens (the "Offering"). The Gold Royalty Tokens are redeemable in lots of 200 Gold Royalty Tokens in exchange for one fine ounce gold bar. The Gold Royalty Tokens have a term of 13 years, are not transferable and will not be listed for trading on any traditional stock exchange. The Gold Royalty Tokens will have no voting rights, nor do they have a right to participate in any residual equity of the Company. Each Gold Royalty Token is redeemable commencing 180 days from commercial production of the Bruner Gold Project ("Bruner").

The royalty obligation will be registered against the gold production from the Bruner property. The Gold Royalty Tokens will only pay out, if there is production from Bruner.

On October 31, 2018, the Company closed the Offering and issued a total of 1,680 Gold Royalty Tokens pursuant to the Offering for total proceeds of $10,500 which included in other income.

13. GOLDUSA Tokens

During the year ended December 31, 2018, GOLDUSA Tokens were issued to accredited investors via an initial Security Token Offering ("Gold STO"). The GOLDUSA Tokens are redeemable at the earlier of 3 years from the closing of the Gold STO and 180 days after declaration of commercial production from the Company's exploration projects, not exclusive to Bruner. In the event of failure to meet a redemption notice, the Company's maximum liability to the GOLDUSA Token holders for each token is limited to the gold price of aggregate tokens submitted for redemption on the redemption date. The Company may settle in cash if the Company is unable to deliver gold on redemption. The Company may suspend the right of the holder to redeem GOLDUSA Tokens to postpone the date of delivery for any period during which the Company determines that conditions exist which render impractical to determine the value of the gold bullion owed to the holder or the redemption amount of the GOLDUSA Tokens. The Company shall not permit the suspension to last more than 180 days. A queuing system for delivery will be implemented, whereby a maximum of 10% of the tokens issued may elect delivery in each respective year that GOLDUSA Tokens are redeemable.

During the year ended December 31, 2018, the Company issued the following GOLDUSA Tokens which were held in escrow until March 1, 2019 (4 months and a day hold period), after which date the GOLDUSA Tokens will be delivered to the Digital Wallet addresses by the Company as follows:

a. 63,750 GOLDUSA Tokens to the subscribers of the Gold STO. Of the 63,750 GOLDUSA Tokens issued, 53,750 relate to the conversion of $268,875 of proceeds received from Gold Royalty Token subscriptions and 10,000 relate to the Gold STO subscriptions for proceeds of $51,138.
b. 18,907 GOLDUSA Tokens were issued on conversion of 1,340,669 outstanding stock options and 550,000 outstanding warrants plus additional proceeds of $74,175 (Note 8). The fair value of options and warrants converted was $38,682. A loss on conversion of $34,405 was recorded in net loss.
c. 5,462 GOLDUSA Tokens related to the settlement of $21,232 (USD $16,386) trade payables. A loss on settlement of trade payables with GOLDUSA Tokens of $21,310 was recorded in the consolidated statements of comprehensive loss.
d. 112,500 GOLDUSA Tokens to AIVN to settle amounts owing of $583,065 for the 1.5% NSR buyback pursuant to the SPA. A loss on settlement of the buyback purchase price of $293,164 was recorded in net loss (Note 5).
e. 190,476 GOLDUSA Tokens to HarmonyChain AS ("HarmonyChain"), a Norwegian Fintech company, for the acquisition of the exclusive global patent rights and technology, associated with GOLDUSA and SILVERUSA security tokens. The fair value of these GOLDUSA Tokens total $1,479,782 and was included in consulting expenses in the consolidated statements of comprehensive loss.
f. 16,300 GOLDUSA Tokens to be issued are accrued to directors and officers of the Company and $129,006 is included in consulting and management fees for the provision of services.

(Expressed in Canadian dollars)

13. GOLDUSA Tokens (cont'd)

A summary of the GOLDUSA Tokens outstanding as at December 31, 2018 and 2017 is as follows:

	December 31, 2018	December 31, 2017
GOLDUSA Tokens issued in GOLD STO	63,750	-
GOLDUSA Tokens issued on conversion of options and warrants	18,907	-
GOLDUSA Tokens issued on settlement of trade payables	5,462	-
GOLDUSA Tokens issued on settlement of 1.5% NSR buyback with AIVN	112,500	-
GOLDUSA Tokens issued to HarmonyChain	190,476	-
GOLDUSA Tokens accrued to directors and officers	16,300	-
Total GOLDUSA Tokens	407,395	-
Calculated fair value per GOLDUSA Token	$ 7.9596	$ -
Total GOLDUSA Tokens – derivative liability	$ 3,242,686	$ -

As at December 31, 2018, the Company calculated the fair value of the 407,395 GOLDUSA Tokens outstanding to be $3,242,686 and recorded a revaluation loss of $247,852 for the year. The fair value was calculated using a modified option pricing model using the following assumptions:

	December 31, 2018
Risk-free interest rate	2.61%
Expected dividend yield	0.00%
Time to expiration (years)	7.97 years
Expected gold price volatility	15%

14. SILVERUSA Tokens

On October 3, 2018, the Company launched a non-brokered private placement of SILVERUSA Ethereum ERC20 Tokens via a Security Token Offering ("Silver STO").

As at December 31, 2018, the Company has yet to close the Silver STO and, as a result, $17,350 subscriptions received related to the SILVERUSA Tokens are classified as refundable subscription receipts liability.

(Expressed in Canadian dollars)

15. Income Taxes

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	2018	2017
Canadian statutory income tax rate	27.00%	26.00%
Expected income tax recovery based on statutory rate	$ 1,117,000	$ 524,000
Non-deductible expenses and others	(494,000)	(46,000)
Effect of change in tax rates	144,000	106,000
Foreign exchange and other	432,000	565,000
Change in unrecognized deferred income tax assets	(1,199,000)	(1,149,000)
Income tax recovery	$ -	$ -

Significant components of the Company's deferred income tax assets (liabilities) are as follows:

	2018	2017
Non-capital losses	$ 7,018,000	$ 6,866,000
Share issuance costs	9,000	39,000
Cumulative eligible expenditures	42,000	42,000
Mineral properties	(3,115,000)	(2,817,000)
Derivative liability	160,000	-
Convertible debentures	(163,000)	(244,000)
	3,951,000	3,886,000
Unrecognized deferred income tax assets	(3,951,000)	(3,886,000)
Net deferred income tax assets	$ -	$ -

The Company has Canadian non-capital losses of approximately $11,732,000 available for deduction against future taxable income. These losses will begin to expire starting in 2026. The Company also has non-capital losses of $1,815,000 available for deduction against future taxable income in Guyana which have no expiry date. Additionally, the Company has net operating losses of $12,447,000 which can be applied against future operating income in the United States, which will begin to expire starting in 2030.

In assessing the realizability of deferred income tax assets, management considers whether it is more likely than not that some portion of all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred income tax assets considered realizable could change materially in the near term based on future taxable income during the carry forward period.

16. Subsequent Events

Subsequent to December 31, 2018, a claim was made against the Company by a service provider for failure to pay outstanding fees of $36,225. The Company and the service provider reached a settlement agreement, pursuant to which $10,000 was paid in May 2019, and the remaining amounts will be paid in monthly instalments. The full amount of the outstanding liability is included in trade payables and accrued liabilities.