GRENVILLE GOLD CORP.

Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Grenville Gold Corp.

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Grenville Gold Corp. as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
April 30, 2018

GRENVILLE GOLD CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

	Notes	December 31, 2017	December 31, 2016
ASSETS			
Current Assets			
Cash		$ 441,556	$ 1,663
Receivables		1,994	748
Prepaid expenses	3	-	1,542
		443,550	3,953
Exploration and evaluation assets	4	1,499,465	1,373,202
TOTAL ASSETS		$ 1,943,015	$ 1,377,155
LIABILITIES			
Current Liabilities			
Trade payables and accrued liabilities	5	$ 141,590	$ 135,068
Loans and interests payable	8	157,644	-
Due to related parties	7	-	6,426
TOTAL LIABILITIES		299,234	141,494
SHAREHOLDERS' EQUITY			
Share capital	6	10,191,065	9,681,065
Reserves	6	4,327,153	4,327,153
Deficit		(12,874,437)	(12,772,557)
TOTAL SHAREHOLDERS' EQUITY		1,643,781	1,235,661
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 1,943,015	$ 1,377,155

Nature and continuance of operations 1

On Behalf of the Board

"Sonny Janda"

Sonny Janda, Director

"Shaun Dykes"

Shaun Dykes, Director

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

GRENVILLE GOLD CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31,
(Expressed in Canadian dollars)

	Note	2017	2016
Operating expenses			
Consulting	7	-	4,000
Filing and transfer fees		13,805	17,012
Impairment of exploration and evaluation assets	4	-	974,704
Management	7	19,849	6,000
Office and general		26,153	18,484
Professional fees		47,065	37,701
Project investigation costs		21,834	2,520
Rent	7	7,500	26,910
		136,206	1,087,331
Other (income) expenses			
Foreign exchange		(2,442)	21,599
Other income	7	-	(5,235)
Reversale of trade payable		(31,884)	-
		(34,326)	16,364
Net and comprehensive loss		$ 101,880	$ 1,103,695
Basic and diluted loss per share		$ 0.00	$ 0.05
Weighted average number of common shares outstanding			
- basic and diluted		24,042,080	20,144,272

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

GRENVILLE GOLD CORP.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian dollars, except share number)

	Share Capital		Reserves			
	Number	Amount Received	Option	Warrant	Deficit	Total
Balance at December 31, 2015	17,020,984	$ 9,321,065	$ 2,872,403	$ 1,454,750	$ (11,668,862)	$ 1,979,356
Shares issued for cash	6,000,000	360,000	-	-	-	360,000
Net and comprehensive loss	-	-	-	-	(1,103,695)	(1,103,695)
Balance at December 31, 2016	23,020,984	9,681,065	2,872,403	1,454,750	(12,772,557)	1,235,661
Exercise of warrants	6,000,000	510,000	-	-	-	510,000
Net and comprehensive loss	-	-	-	-	(101,880)	(101,880)
Balance at December 31, 2017	29,020,984	$ 10,191,065	$ 2,872,403	$ 1,454,750	$ (12,874,437)	$ 1,643,781

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

GRENVILLE GOLD CORP.
CONSOLIDATED STATAEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,
(Expressed in Canadian dollars)

		2017		2016
Operating activities				
Net loss for the year	$	(101,880)	$	(1,103,695)
Interests paid on short-term loan		-		(18,152)
Adjustments for non-cash items				
Impairment of exploration and evaluation assets		-		974,704
Non-cash interest expense		7,644		-
		(94,236)		(147,143)
Changes in non-cash working capital items				
Receivables		(1,246)		326
Prepaid expenses		1,542		470
Trade payables and accrued liabilities		6,522		13,861
Due to related parties		(6,426)		6,391
Net cash flows used in operating activities		(93,844)		(126,095)
Investing activities				
Expenditures in exploration and evaluation assets		(126,263)		(117,388)
Net cash flows used in investing activities		(126,263)		(117,388)
Financing activities				
Loan borrowed		150,000		-
Loan repayment		-		(119,675)
Proceeds from issuance of common shares		-		360,000
Proceeds from exercise of warrants		510,000		-
Net cash flows from financing activities		660,000		240,325
Change in cash during the year		439,893		(3,158)
Cash, beginning of year		1,663		4,821
Cash, end of year	$	441,556	$	1,663

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Grenville Gold Corp. (the "Company") was incorporated under the laws of the province of Ontario by articles of incorporation effective November 17, 1994. On June 19, 2009, the Company completed a continuance of business from Ontario to British Columbia. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "GVG", the Berlin and Frankfurt stock exchanges in Germany under the symbol "F91Q", and a pink sheet listing ("OTCPP") in the United States under the symbol "GVLGF".

The head office, principal address and records office of the Company are 4770 – 72nd Street, Delta, British Columbia, Canada, V4K 3N3.

These consolidated financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at December 31, 2017, the Company had not advanced its property to commercial production and is not able to finance day-to-day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and/or private placement of common shares. Should the Company be unable to continue as going concern, the net realizable value of its assets may be materially less than the amounts on its consolidated statement of financial position.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 30, 2018.

2. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements 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 Interpretations Committee ("IFRIC").

Basis of Measurement

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (Continued)

Basis of Consolidation

The condensed consolidated interim financial statements include the accounts of the Company and its controlled entities. Details of controlled entities are as follows:

		Percentage Owned	
	Country of Incorporation	December 31, 2017	December 31, 2016
Grenville Silveria Ltd.	Canada	100%	100%
Grenville Espanola Holdings Ltd.	Canada	100%	100%
Minera Grenville S.A.C.	Peru	100%	100%
Minera Espanola S.A.C.	Peru	100%	100%
Upper Canyon Minerals Peru S.A.C.	Peru	100%	100%
Inversiones Mineras Alexander S.A.C.	Peru	100%	100%

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation

Significant Estimates and Assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments, and the recoverability and measurement of deferred tax assets.

Significant Judgments

The preparation of these financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's condensed consolidated interim financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification of financial instruments; and
- the determination of the functional currency of the parent company and its subsidiaries.

2. BASIS OF PRESENTATION (Continued)

Functional Currency

The functional currency of each entity is measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currency of the Company's subsidiaries is the Canadian dollar.

Foreign Currency Translation

Foreign currency translations 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 of the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values are determined.

Exchange differences arising on the translation of the 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.

Exploration and Evaluation Assets

Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred. Exploration and evaluation expenditures including the costs of acquiring licenses and costs associated with exploration and evaluation activities are capitalized by property. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option. Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceeds, the carrying amount of the exploration and evaluation asset is unlikely to recovered in full from successful development or by sale.

2. BASIS OF PRESENTATION (Continued)

Exploration and Evaluation Assets (Continued)

After technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the Company stops capitalizing expenditures for the applicable block of claims or geological area of interest and test that asset for impairment. The capitalized balance, net of any impairment recognized, is then reclassified to either tangible or intangible mine development assets according to the nature of the asset.

Impairment of Non-Financial Assets

The carrying amount of the Company's assets is 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 an asset is the greater of its 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 its 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 individual asset that does not generate cash inflows, 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 and 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 for the asset in previous years.

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

Restoration and Environmental Obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred.

2. BASIS OF PRESENTATION (Continued)

Restoration and Environmental Obligations (Continued)

Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company currently has no measureable restoration and environmental obligations.

Share-Based Payments

The Company operates a stock option plan. Share-based payments to employees are measured at the fair value of the stock options granted and recognized over the vesting periods. Share-based payments to non-employees are measured at fair value of goods or services received or the fair value of the equity instruments issued, if it is determined using the Black-Scholes option pricing model, taking into account the terms and conditions upon which stock options are granted. At each reporting date, the amount recognized as expense is adjusted to reflect the actual number of stock options that are expected to vest.

Loss per Share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding during the reporting period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all options and warrants outstanding that may add to the total number of common shares. As at December 31, 2017, the Company's diluted loss per share was the same as the basic loss per share as the Company did not have any outstanding options and warrants.

Financial Instruments

The Company classifies its financial instruments in the following categories:
a. fair value through profit or loss
b. loans and receivables
c. held-to-maturity
d. available-for-sale financial assets, and
e. financial liabilities

The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

2. BASIS OF PRESENTATION (Continued)

Financial Instruments (Continued)

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

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

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

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

Non-derivative financial liabilities (excluding financial guarantees) are recognized initially at fair value net of any directly attributable transaction costs and are subsequently measured at amortized cost. Regular purchase and sale of financial asset are recognized on the trade-date, the date on which the Company commits to purchase and dispose the asset.

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

2. BASIS OF PRESENTATION (Continued)

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 and 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 loss or equity is recognized in other comprehensive loss 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 recorded by providing for temporary differences at the reporting date 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 sufficient taxable profit will be available to allow all or part of the deferred tax asset 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 by the end of the reporting period.

Deferred tax assets and deferred 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 related to the same taxable entity and the same taxation authority.

2. BASIS OF PRESENTATION (Continued)

Accounting Standards Issued but Not Yet Applied

A number of new standards, and amendments to the standards and interpretations, are not yet effective for the year ended December 31, 2017, and have not applied in preparing these financial statements.

IFRS 9 – Financial Instruments

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company intends to adopt the standard when it becomes effective. The Company has not yet determined the impact of this standard on its financial statements, but does not anticipate that the impact will be significant.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is currently mandatory for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not expect the adoption of this standard to impact its financial statements, as currently the Company does not earn revenues.

Other accounting standards with future effective dates are either not applicable or not expected to impact the Company's financial statements.

3. PREPAID EXPENSES

Prepaid expense balances represent advances paid to suppliers for services to be rendered in the next 12 months.

(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS

	Balance December 31, 2015	Additions (Impairment)	Balance December 31, 2016	Additions (Impairment)	Balance December 31, 2017
Silveria					
Acquisition	$ 1,671,385	$ -	$ 1,671,385	$ -	$ 1,671,385
Exploration costs	2,045,564	19,319	2,064,883	-	2,064,883
Impairment	(2,761,564)	(974,704)	(3,736,268)	-	(3,736,268)
	955,385	(955,385)	-	-	-
Espanola					
Acquisition	457,502	-	457,502	94,298	551,800
Exploration costs	735,436	73,888	809,324	3,105	812,429
	1,192,938	73,888	1,266,826	97,403	1,364,229
Josefina					
Acquisition	86,663	-	86,663	-	86,663
Exploration costs	20,398	-	20,398	-	20,398
Impairment	(107,061)	-	(107,061)	-	(107,061)
	-	-	-	-	-
Silver Mountain					
Acquisition	39,631	-	39,631	28,860	68,491
Exploration costs	42,564	24,181	66,745	-	66,745
	82,195	24,181	106,376	28,860	135,236
Total	$ 2,230,518	$ (857,316)	$ 1,373,202	$ 126,263	$ 1,499,465

Silveria Property

The Company's interest in the Silveria property consists of claims in the San Mateo Mining District in the province of Huarochiri, Peru. Management assessed the Silveria Property as impaired and recorded an impairment charge of $974,704 for the year ended December 31, 2016.

Espanola Property

The Company owns 100% of the Espanola property which consists of 17 claims in the San Mateo Mining District in the province of Canete, Peru.

Josephina and Silver Mountain Properties

The Company owns 100% interests in the Josephina and Silver Mountain concessions which consist of 6 claims located in the Huarochiri province of Lima, Peru.

(Expressed in Canadian dollars)

5. TRADE PAYABLES AND ACCRUED LIABILITIES

	December 31, 2017	December 31, 2016
Trade payables	$ 139,595	$ 126,073
Accrued liabilities	1,995	8,995
	$ 141,590	$ 135,068

6. SHARE CAPITAL

Authorized share capital: An unlimited number of common shares without par value
An unlimited number of preferred shares without par value

During the year ended December 31, 2016, the Company closed a private placement financing consisting of 6,000,000 units at a price of $0.06 per unit for proceeds of $360,000. Each unit consists of one common share and one common share purchase warrant, which entitles the holder to purchase one additional common share of the Company at a price of $0.085 per share for a period of three years.

During the year ended December 31, 2017, the 6,000,000 warrants issued in the 2016 private placement were exercised for gross proceeds of $510,000.

Stock Options

The Company has a stock option plan whereby a maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of options. The term of the stock options granted is fixed by the Board of Directors and is not to exceed five years. The exercise prices of the stock options granted may not be less than the minimum then specified by the rules of the TSX-V. Vesting periods are determined by the Board.

As at December 31, 2017 and 2016, there were no outstanding options.

(Expressed in Canadian dollars)

6. SHARE CAPITAL (Continued)

Warrants

Warrants transactions as at December 31, 2017 and December 31, 2016 are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding at December 31, 2015	-	$ -
Warrants issued	6,000,000	0.085
Warrants outstanding at December 31, 2016	6,000,000	$ 0.085
Warrants exercised	(6,000,000)	0.085
Warrants outstanding at December 31, 2017	-	$ -

As at December 31, 2017, there were no warrants outstanding.

Stock Option Reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

Warrant Reserve

The warrant reserve records the fair value of warrants issued until such time that they are exercised, at which time the corresponding amount will be transferred to share capital.

7. RELATED PARTY TRANSACTIONS

The Company considers key management to be directors or senior officers of the Company. During the year ended December 31, 2017 and 2016, the Company did not incur any transactions with key management or companies controlled by key management of the Company.

	2017	2016
Rent expense	$ -	$ 26,910
Management fees	-	7,725
Consulting fees	-	4,000
	$ -	$ 38,635

During the year ended December 31, 2017, the Company earned other income of $nil (2016 - $5,167) from a company controlled by a senior officer of the Company.

7. RELATED PARTY TRANSACTIONS (Continued)

During the year ended December 31, 2016, the Company issued 700,000 units to a company controlled by common management for gross proceeds of $42,000. Each unit consists of one common share and one common share purchase warrant, which entitles the holder to purchase one additional common share of the Company at a price of $0.085 per share for a period of three years. The warrants were exercised during the year ended December 31, 2017

As at December 31, 2017, the Company has recorded an advance payable of $nil (2016 - $6,426) to a company controlled by common management.

8. SHORT-TERM LOANS

On June 25, 2014, the Company arranged for unsecured short-term bridge financing with an unrelated, non-financial lender in the principal amount of $119,675 bearing interest at a rate of 4% per annum until December 24, 2014 and prime + 10% subsequently. During the year ended December 31, 2016, the Company repaid the loan in full, including $18,152 in accrued interest.

On June 28, 2017, the Company entered into a loan agreement to borrow $150,000 at an interest rate of 10% per annum. This loan is payable on demand. Subsequent to the December 31, 2017 year-end, the Company repaid the loan in full, including $7,800 in accrued interest.

9. SEGMENTED INFORMATION

The Company has just one operating segment, the exploration and evaluation of mineral properties. All of the Company's equipment and exploration and evaluation assets are located in Peru.

10. FINANCIAL RISK AND CAPITAL MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. 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:

10. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

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 its cash held in bank accounts. Cash is deposited in bank accounts held with major banks in Canada and Peru. As most of the Company's cash is held by two banks, there is a concentration of credit risk. However, this risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient holdings of cash and cash equivalents to meet its short-term exploration and evaluation requirements and anticipated operating cash flows.

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.

Foreign Exchange 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's Peruvian subsidiaries are exposed to currency risk as they incur expenditures that are denominated in US dollars and the Peruvian Soles, and their functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates. A 10% fluctuation in the US dollar and Peruvian Sole would not have a material impact on the results of the Company.

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 does not have material financial assets or liabilities that are exposed to fluctuation of interest rate. As a result, the exposure to interest rate risk is not significant.

(Expressed in Canadian dollars)

10. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration and evaluation assets. In the management of capital, the Company includes components of shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has an interest in are in the exploration stage; as such, the Company is dependent on external financing to fund activities. To carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. The Company is not subject to externally imposed capital requirements. There were no changes to the Company's approach to capital management during the year.

Classification of Financial Instruments

Financial assets and liabilities included in the statement of financial position are as follows:

		December 31, 2017		December 31, 2016
Loans and Receivables				
Cash	$	441,556	$	1,663
Other Financial Liabilities				
Trade payables and accrued liabilities	$	141,555	$	135,068
Short-term loan	$	157,644	$	-
Due from related parties	$	-	$	6,426

Fair Value

The fair value of the Company's assets and liabilities approximate the carrying amount.

(Expressed in Canadian dollars)

11. INCOME TAXES

A reconciliation of income taxes for the years ended December 31, 2017 and 2016 at statutory rates is as follows:

		December 31, 2017		December 31, 2016
Net loss	$	101,880	$	1,103,695
Statutory tax rate		26%		26%
Expected income tax recovery at the statutory tax rate		(28,000)		(287,000)
Permanent differences and other		21,000		11,000
Adjustment to prior years' provision		(20,000)		(129,000)
Change in unrecognized deferred tax assets		27,000		405,000
	$	-	$	-

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

		December 31, 2017		December 31, 2016
Non-capital losses available	$	2,293,000	$	2,261,000
Equipment		30,000		30,000
Share issue costs		10,000		15,000
Exploration and evaluation assets		180,000		180,000
		2,513,000		2,486,000
Unrecognized deferred tax assets		(2,513,000)		(2,486,000)
	$	-	$	-

As at December 31, 2017, the Company had non-capital losses of approximately $5,946,000 which expire from 2027 to 2037 available to carry forward to offset future taxable income. The Company had losses in Peru of approximately $2,660,000 to carry forward to offset future taxable income indefinitely.