PROVENANCE GOLD CORP.

(FORMERLY SPARX ENERGY CORP.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

DeVISSER GRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Provenance Gold Corp. (formerly Sparx Energy Corp.),

We have audited the accompanying consolidated financial statements of Provenance Gold Corp. (formerly Sparx Energy Corp.) which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of comprehensive loss, cash flows and changes in deficiency for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, 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 audit. We conducted our audit 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 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 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 Provenance Gold Corp. (formerly Sparx Energy 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 as issued by the International Accounting Standards Board.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 of the financial statements which indicates that the Company has limited working capital, no sources of revenue, and is dependent upon its ability to secure new sources of financing. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

De Visser Gray LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC
April 24, 2018

PROVENANCE GOLD CORP. (FORMERLY SPARX ENERGY CORP.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31,

		2017		2016
ASSETS				
Current assets				
Cash	$	66,628	$	724
Amounts receivable		32,007		160
		98,635		884
Exploration and evaluation assets (note 4)		713,513		-
	$	812,148	$	884
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$	92,849	$	70,064
Loan payable (note 3)		-		168,811
Share subscriptions advanced (note 5)		406,398		-
		499,247		238,875
Loan payable (note 3)		209,467		-
		708,714		238,875
SHAREHOLDERS' EQUITY (DEFICIENCY)				
Share capital (note 5)		722,136		52,500
Deficit		(618,702)		(290,491)
		103,434		(237,991)
	$	812,148	$	884

Nature and continuance of operations (note 1)

Approved on behalf of the Board

Director *"Rauno Perttu"*
Rauno Perttu

Director *"Robert Clark"*
Robert Clark

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

PROVENANCE GOLD CORP. (FORMERLY SPARX ENERGY CORP.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
YEARS ENDED DECEMBER 31,

	2017	2016
EXPENSES		
Bank charges	$ 79	$ 177
Consulting and management fees (note 8)	193,800	7,900
Interest	1,408	13,067
Office	14,654	102
Professional fees	80,445	11,604
Regulatory and transfer agent fees	33,098	5,648
Travel	4,727	-
Loss from operations	(328,211)	(38,498)
Other income		
Gain on debt settlement (note 8)	-	11,050
Net and comprehensive loss	$ (328,211)	$ (27,448)
Basic and diluted loss per share (note 9)	$ (0.01)	$ (0.00)
Weighted average number of common shares outstanding	25,049,621	13,111,431

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

PROVENANCE GOLD CORP. (FORMERLY SPARX ENERGY CORP.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
YEARS ENDED DECEMBER 31,

	Number of Shares	Share Capital	Share subscriptions Advanced	Deficit	Total Shareholders' Equity (Deficiency)
Balance at January 1, 2016	13,111,431	$ 52,500	$ -	$ (263,043)	$ (210,543)
Net and comprehensive loss	-	-	-	(27,448)	(27,448)
Balance at December 31, 2016	13,111,431	52,500	-	(290,491)	(237,991)
Balance at January 1, 2017	13,111,431	52,500	-	(290,491)	(237,991)
Shares issued under Securities Purchase Agreement (note 5)	11,000,000	269,624	-	-	269,624
Shares issued in private placement (note 5)	2,937,733	403,160	-	-	403,160
Shares issued as finders fees	40,000	6,000	-	-	6,000
Share issue costs	-	(9,148)	-	-	(9,148)
Net and comprehensive loss	-	-	-	(328,211)	(328,211)
Balance at December 31, 2017	27,089,164	$ 722,136	$ -	$ (618,702)	$ 103,434

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

PROVENANCE GOLD CORP. (FORMERLY SPARX ENERGY CORP.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31,

	2017	2016
Cash provided by (used for):		
Operating activities		
Net and comprehensive loss for the period	$ (328,211)	$ (27,448)
Adjustment for item which does not involve cash:		
Gain on debt settlement (note 8)	-	(11,050)
Change in non-cash working capital:		
Amounts receivable	(31,847)	149
Accounts payable and accrued liabilities (note 11)	57,632	25,927
Cash used in operating activities	(302,426)	(12,422)
Investing activities		
Cash acquired under Securities Purchase Agreement (note 5)	166,955	-
Exploration and evaluation assets acquired	(605,035)	-
Cash used in investing activities	(438,080)	-
Financing activities		
Proceeds from issuance of shares	403,160	-
Share issue costs	(3,148)	-
Share subscriptions advanced	406,398	-
Loan payable (note 3)	-	13,106
Cash provided by financing activities	806,410	13,106
Change in cash during the year	65,904	684
Cash, beginning of the year	724	40
Cash, end of the year	$ 66,628	$ 724

Supplementary cash flow information (note 11)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Provenance Gold Corp. (formerly Sparx Energy Corp.) (“Provenance” or the "Company") was incorporated in the Province of British Columbia on October 5, 2012. For the period October 5, 2012 to May 31, 2013, the Company was a wholly-owned subsidiary of Aldever Resources Inc. (formerly Glenmark Capital Corp.) (“Aldever”), which is a junior exploration company engaged in the business of identification, acquisition and exploration of mineral interests.

During October 2012, Aldever’s board of directors approved a plan of arrangement (the “Arrangement”) between Aldever and its four wholly-owned subsidiaries, including Provenance. As a result of the completion of the Arrangement on May 31, 2013, Aldever ceased to be a shareholder of Provenance and the Company became a reporting issuer in its own right. Provenance is a junior exploration company engaged in the business of identification, acquisition and exploration of mineral interests.

On January 16, 2017, the Company changed its name to Provenance Gold Corp.

The Company’s principal office and registered and records office is located at 2200-885 West Georgia Street, Vancouver, BC V6C 3E8.

These consolidated financial statements have been prepared on a going concern basis which presumes the realization of assets and settlement of liabilities in the normal course of operations in the foreseeable future. The Company has no source of operating revenue, has incurred operating losses and at December 31, 2017 had a deficit of $618,702 (2016 - $290,491). The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. The aforementioned factors indicate the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern. Further discussion of liquidity risk is included in notes 6 and 7.

These financial statements were authorized for issue on April 24, 2018 by the directors of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). The presentation and functional currency of the Company is the Canadian dollar. These financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized as follows:

Use of Estimates and Assumptions

The preparation of the Company’s 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 and contingent liabilities at the date of the 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 these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant Judgments

The preparation of 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 applying to the Company's 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; and
- the assessment of indications of impairment of each mineral property and related determinations of the net realizable value and write-down of those properties where applicable.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and 1084160 B.C. Ltd., formerly Provenance Gold Corp. ("PGC"), its wholly-owned subsidiary in which the Company has control, where control is defined as the power to govern the financial operating policies of an enterprise so as to obtain benefits from its activities.

All intercompany balances and transactions have been eliminated on consolidation. Comparative figures shown in these financial statements reflect the accounts of Provenance only.

Details of the Company's subsidiary are as follows:

Name	Place of incorporation	Interest %	Principal activity
1084160 B.C. Ltd.	British Columbia, Canada	100%	Holding company

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category involves financial instruments held for the purpose of selling them in the short term. All of the financial instruments in this category meet the definition of financial assets held for trading and include cash.

The financial instruments included in this category are initially recognized at fair value and the transaction costs are expensed to the statement of comprehensive income (loss).

Subsequently, financial assets at fair value through profit or loss are measured at fair value and all gains and losses, realized and unrealized, measured on the basis of market transactions, are recognized directly in the statement of comprehensive income (loss).

Loans and receivables – These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. The Company's financial assets classified as loans and receivables consist of amounts receivable (excluding GST).

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments ***(continued)***

Financial assets (continued)

Held-to-maturity investments – These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of comprehensive income (loss). The Company has no financial assets classified as held-to-maturity investments

Available-for-sale – Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of comprehensive income (loss). The Company has no financial assets classified as available-for-sale assets.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

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

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. The Company’s non-derivative liabilities consist of accounts payable and accrued liabilities and loan payable.

Derivative liabilities are classified as fair value through profit or loss. The Company has no derivative assets or liabilities.

Exploration and evaluation expenditures

Once a license to explore an area has been secured, expenditures on mineral properties are capitalized to exploration and evaluation assets and classified as a non-current asset.

Exploration and evaluation expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration and evaluation expenditures are not expected to be recovered they are charged to operations.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Asset retirement obligations

The fair value of a liability for an asset retirement or environmental obligation is recognized when a reasonable estimate of fair value can be made. The asset retirement or environmental obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement or environmental cost is charged to operations using a systematic and rational method and the resulting liability is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flow. As of December 31, 2017, the Company did not have any asset retirement or environmental obligations.

Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income is also recognized directly in equity or other comprehensive income.

Current tax is expected tax payable on the taxable income for the period, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

New accounting standards issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee ("IFRIC") but are not yet effective as at December 31, 2017. The Company intends to adopt these standards and interpretations when they become effective. The Company does not expect these standards to have an impact on its financial statements.

Standard	Title	Applicable for financial years beginning on/after
IFRS 9	Financial Instruments	January 1, 2018
IFRS 16	Leases	January 1, 2019

3. LOAN PAYABLE

This loan represents funds advanced by investors who were assisting in the implementation of the Company's business plan. The funds received provided the working capital required to prepare financial statements and for corporate registrations. On March 1, 2016, these investors assigned their loans ($157,205) plus accrued interest ($40,656) to a private company that became a related party as a result of the Securities Purchase Agreement (note 5) executed on January 16, 2017. Subsequent to March 1, 2016, the private company advanced $11,606 to the Company. This loan is unsecured and bears interest at 10% per annum. As at December 31, 2017, $nil (2016 - $41,779) in accrued interest was included in accounts payable and accrued liabilities.

On January 31, 2017, the Company executed a Debt Settlement Agreement ("the Agreement") to settle debt totaling $209,467 ($168,811 principal plus $40,656 accrued interest). Pursuant to the Agreement, the debt was settled by issuing a promissory note to the related party in the amount of $209,467. This balance is non-interest bearing and is due on or before August 1, 2019.

4. EXPLORATION AND EVALUATION ASSETS

2K Gold Property	Acquisition	Exploration	Total Cost
Balance December 31, 2016	$ -	$ -	$ -
Additions	50,000	555,035	605,035
Assets acquired under Securities Purchase Agreement (note 6)	50,000	58,478	108,478
Balance December 31, 2017	$ 100,000	$ 613,513	$ 713,513

On June 10, 2016, the Company's CEO entered into the Moosehorn Range Property Option Agreement (the "MRPOA") pursuant to which he was granted the option to purchase a 100% interest in 149 quartz claims located in the Moosehorn Range in Yukon, Canada and the exclusive right to conduct mineral exploration and feasibility study work on the property during the period of the option. On August 4, 2016, the Company and the Company's CEO entered into an assignment agreement whereby the MRPOA was assigned to the Company. Pursuant to the MRPOA, payments totaling $3,610,000 are required to be made and exploration expenditures totaling $1,700,000 are required to be incurred as follows:

Payments

- $50,000 within 60 days of the signing of the agreement *(paid)*;
- $50,000 by June 10, 2017 *(paid)*;
- $130,000 by June 10, 2018;
- $130,000 by June 10, 2019;
- $250,000 by June 10, 2020; and
- $3,000,000 by June 10, 2021

These payments will be credited towards the exploration expenditure requirements.

Exploration Expenditures

- $200,000 by June 10, 2017 (completed);
- Cumulative $500,000 by June 10, 2018 (completed);
- Cumulative $850,000 by June 10, 2019;
- Cumulative $1,200,000 by June 10, 2020; and
- Cumulative $1,700,000 by June 10, 2021.

Expenditures incurred in excess of the amount required will be applied against any remaining expenditures. As of December 31, 2017, the Company has incurred $613,513 in exploration expenditures.

Pursuant to the MRPOA, the optionee will also pay a 2% net smelter royalty ("NSR") by December 31st of each year that lode gold is recovered from the property. This NSR can be bought out at any time by paying $2,000,000.

The final payment of $3,000,000 may be made at any time between June 10, 2016 and June 10, 2021, in which case any remaining payments will no longer be payable (except the NSR unless it has been bought out) and no further exploration expenditures will be required.

If, during the term of the MRPOA, either party acquires any interest in quartz claim fractions within a five kilometer perimeter of the property's claim blocks, these claims will become subject to the terms and conditions of the MRPOA.

5. SHARE CAPITAL

Authorized

Unlimited number of common shares, without par value.
Unlimited number of preferred shares, without par value.

Issued

2016

No shares were issued during the year ended December 31, 2016.

2017

On January 16, 2017, the Company closed a Securities Purchase Agreement ("the Agreement") with the shareholders of 1084160 B.C. Ltd., ("PGC"). PGC is the beneficial owner of the right to earn up to a 100% interest in and to a series of quartz claims located in the Moosehorn Range in the Yukon Territory. This interest is subject to certain royalty rights pursuant to a property option agreement dated June 10, 2016. Pursuant to the Agreement, the Company acquired all of the outstanding share capital of PGC by issuing 11,000,000 common shares and 3,500,000 common share purchase warrants to the shareholders of PGC. Each warrant is exercisable to acquire an additional common share of the Company at a price of $0.15 per share until October 19, 2018. In connection with the closing of the Agreement, the Company changed its name to "Provenance Gold Corp." and PGC continued as a wholly-owned subsidiary of the Company.

The net assets acquired under the Agreement consisted of the following: cash of $166,955; interest in mineral property – 2K Gold of $108,478; accrued expenses ($5,809).

On January 31, 2017, the Company completed a private placement of 750,000 units at $0.10 per unit for gross proceeds of $75,000. Each unit is comprised of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.15 until January 31, 2019.

On September 7, 2017, the Company completed a private placement of 2,187,733 units at $0.15 per unit for gross proceeds of $328,160. Each unit is comprised of one common share of the Company and one-half of one common share purchase warrant. Each full warrant entitles the holder to purchase one common share at a price of $0.30 per share until September 7, 2019. The Company issued 40,000 common shares valued at $6,000 as a finder's fee and paid $3,148 in share issue costs.

As of December 31, 2017, advances of $406,398 have been received from subscribers for a private placement financing which the Company proposes to undertake. Under the terms by which the funds were advanced, these advances form a non-interest bearing loan to the Company until such time as the private placement is completed.

5. SHARE CAPITAL *(continued)*

Warrants

Details of common share purchase warrants outstanding at December 31, 2017 and 2016 are as follows:

	2017 Outstanding Warrants	2016 Outstanding Warrants	Exercise price	Expiry date
Share purchase warrants				
Issued pursuant to amended Agreement	12,000,000	12,000,000	$ 0.100	April 8, 2018*
Issued under Securities Purchase Agreement	3,500,000	-	$ 0.150	October 19, 2018
Issued in private placement	750,000	-	$ 0.150	January 31, 2019
Issued in private placement	1,093,867	-	$ 0.300	September 7, 2019
	17,343,867	12,000,000	$ 0.125	

* Expired subsequent to year-end

Common share purchase warrant transactions during the years ended December 31, 2017 and 2016 are as follows:

	2017			2016		
	Number of Warrants	Weighted average exercise price	Fair Value	Number of Warrants	Weighted average exercise price	Fair Value
Outstanding - beginning of year	12,000,000	$ 0.100	$ -	12,100,000	$ 0.10	$ -
Issued under Securities Purchase Agreement	3,500,000	$ 0.150	-	-	-	-
Issued in private placement	750,000	$ 0.150	-	-	-	-
Issued in private placement	1,093,867	$ 0.300	-	-	-	-
Cancelled	-	$ -	-	(100,000)	0.10	-
Outstanding - end of year	17,343,867	$ 0.125	$ -	12,000,000	$ 0.10	$ -

On March 1, 2016, 100,000 share purchase warrants were cancelled.

The weighted average remaining contractual life of the issued and outstanding warrants as at December 31, 2017 was 0.50 years (2016 – 1.27).

6. FINANCIAL INSTRUMENTS

Fair Values

As at December 31, 2017, the Company's financial instruments consist of cash, accounts payable and accrued liabilities, and loan payable.

6. FINANCIAL INSTRUMENTS *(continued)*

Fair Values *(continued)*

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of cash, accounts payable and accrued liabilities, and loan payable is determined on level 1 inputs and the carrying amounts approximate the fair values due to the short-term maturities of these items.

Credit Risk

The Company is not exposed to any significant credit risk as it had limited cash balances at December 31, 2017.

Interest Rate and Foreign Exchange Risks

Provenance has cash balances and non-interest bearing debt. The Company is not exposed to any significant interest rate or foreign exchange risks.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. The Company’s only liquidity risk from financial instruments is its need to meet accounts payable and accrued liabilities and loan payable requirements. The Company did not maintain sufficient cash balances to meet its needs at December 31, 2017.

Price Risk

The Company is not exposed to price risk.

7. CAPITAL MANAGEMENT

The Company's capital currently consists of common shares. Its principal source of cash is from the issuance of common shares and funds advanced by investors. The Company's capital management objectives are to safeguard its ability to continue as a going-concern. The Company does not have any externally imposed capital requirements to which it is subject. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

8. RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations and are measured at their fair value as determined by management. Unless otherwise indicated, the balances are unsecured, non-interest bearing, without specific terms of repayment and have arisen from advances or the provision of services and fees described.

During the year ended December 31, 2017, the Company incurred $191,000 (2016 - $7,100) in consulting fees paid to directors, a former director and/or companies in which directors are principals.

During the year ended December 31, 2016, the Company settled $22,050 of debt due to a former director, through debtor forgiveness with a fair value of $11,000. As a result, a gain on debt settlement of $11,050 was recognized in the statement of comprehensive loss. The $11,000 settlement amount was secured by a non-interest bearing promissory note and was paid on January 4, 2017.

At December 31, 2017, the Company owed $21,397 (2016 - $21,000) to a company in which a director is a principal and a former director in respect of fees and out of pocket expenses.

At December 31, 2017, the Company owed $209,467 to a company controlled by a director – see note 3.

9. LOSS PER SHARE

Basic loss per share is calculated using the weighted average number of shares outstanding during the year. The warrants outstanding as at December 31, 2017 have not been included in the calculation of diluted loss per share as the effect of their inclusion would be anti-dilutive. Loss per share is calculated as follows:

		2017		2016
Net loss for the year	$	328,211	$	27,448
Weighted average number of shares outstanding		25,049,621		13,111,431
Basic and diluted loss per share	$	0.01	$	0.00

10. DEFERRED TAX

The reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is as follows:

		2017		2016
Net loss for the year	$	(328,211)	$	(27,448)
Combined federal and provincial income tax rate		26.00%		26.00%
Expected tax recovery		85,335		7,136
Net effect of deductible and non-deductible amounts		1,587		-
Unrecognized benefit of current non-capital loss		(86,922)		(7,136)
Total income tax recovery		-		-

10. DEFERRED TAX *(continued)*

Unused tax losses and resource pools for which no deferred tax assets have been recognized are attributable to the following:

		2017		2016
Exploration and evaluation assets	$	35,000	$	35,000
Non-capital losses carried forward (1)		547,000		133,000
Share issue costs		7,000		-
		589,000		168,000

(1) These losses are available to be utilized as deductions against future years' Canadian taxable income from Canadian operations and capital gains. These non-capital losses, if not utilized, will expire between 2033 and 2037.

11. SUPPLEMENTARY DISCLOSURES WITH RESPECT TO CASH FLOWS

During the year ended December 31, 2017, the Company incurred interest expenses in the amount of $1,408 (2016 - $13,067).

As disclosed in note 3, on January 31, 2017, the Company settled debt, including accrued interest of $40,656, by issuing a promissory note in the amount of $209,467.