



**CASTLE PEAK MINING LTD.  
CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian dollars)**

**For the year ended  
December 31, 2017**

**CASTLE PEAK MINING LTD.**  
**Index to CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2017**  
**(Expressed in Canadian Dollars)**

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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Castle Peak Mining Ltd.

We have audited the accompanying consolidated financial statements of Castle Peak Mining Ltd., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, changes in 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.

### *Auditors' 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 auditors' 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, these consolidated financial statements present fairly, in all material respects, the financial position of Castle Peak Mining Ltd. 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.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

April 16, 2018



**CASTLE PEAK MINING LTD.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)  
AS AT

	December 31, 2017	December 31, 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 2,119,547	\$ 2,289
Receivables	839	919
Prepaid expenses	8,500	9,000
	2,128,886	12,208
<b>Non-current assets</b>		
Exploration and evaluation assets (Note 5)	2,169,808	5,706,475
	\$ 4,298,694	\$ 5,718,683
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 263,601	\$ 481,085
Loans due to related parties (Note 6)	146,428	117,934
	410,029	599,019
<b>Equity</b>		
Capital stock (Note 8)	17,603,516	17,603,516
Other equity reserve (Note 8)	4,001,075	4,001,075
Non-controlling interest	(7,225)	(7,225)
Accumulated other comprehensive income	4,204,122	4,427,903
Deficit	(21,912,823)	(20,905,605)
	3,888,665	5,119,664
	\$ 4,298,694	\$ 5,718,683

**Nature of operations (Note 1)**  
**Basis of presentation and going concern (Note 2)**  
**Subsequent event (Note 14)**

**Approved on April 16, 2018 on behalf of the Board of Directors:**

"Allan Green"  
Allan Green, Acting Chairman of the Board of Directors

"Michael Novak"  
Michael Novak, Director

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

**CASTLE PEAK MINING LTD.**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)

	Year ended December 31, 2017	Year ended December 31, 2016
<b>EXPENSES</b>		
Depreciation (Note 4)	\$ -	\$ 2,061
Investor relations	3,298	29,884
Office and administrative	26,666	19,737
Professional fees	28,400	43,008
Rent and occupancy costs	-	5,374
Salaries and benefits (Note 7)	79,493	179,201
Transfer agent, filing and regulatory	20,364	18,980
Travel	-	6,041
Foreign exchange loss	12,597	-
Impairment of exploration and evaluation assets (Note 5)	836,400	13,821,906
<b>Loss for the year</b>	<b>(1,007,218)</b>	<b>(14,126,192)</b>
<b>Translation adjustment</b>	<b>(223,781)</b>	<b>(522,255)</b>
<b>Loss and comprehensive loss for the year</b>	<b>\$ (1,230,999)</b>	<b>\$ (14,648,447)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.01)</b>	<b>\$ (0.11)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>	<b>132,763,360</b>	<b>123,929,116</b>

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

**CASTLE PEAK MINING LTD.**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
(Expressed in Canadian Dollars)

	Capital Stock		Other Equity Reserve (Note 8)	Non-controlling Interest	Accumulated Other Comprehensive Income	Deficit	Total Equity
	Number of Shares	Amount					
<b>Balance, December 31, 2015</b>	<b>116,096,693</b>	<b>\$ 17,133,602</b>	<b>\$ 4,001,075</b>	<b>\$ (7,225)</b>	<b>\$ 4,950,158</b>	<b>\$ (6,779,413)</b>	<b>\$ 19,298,197</b>
Shares issued on private Placements	16,666,667	500,000	-	-	-	-	500,000
Share issue costs – cash	-	(30,086)	-	-	-	-	(30,086)
Net loss for the year	-	-	-	-	-	(14,126,192)	(14,126,192)
Translation adjustment	-	-	-	-	(522,255)	-	(522,255)
<b>Balance, December 31, 2016</b>	<b>132,763,360</b>	<b>\$ 17,603,516</b>	<b>\$ 4,001,075</b>	<b>\$ (7,225)</b>	<b>\$ 4,427,903</b>	<b>\$ (20,905,605)</b>	<b>\$ 5,119,664</b>
Net loss for the year	-	-	-	-	-	(1,007,218)	(1,007,218)
Translation adjustment	-	-	-	-	(223,781)	-	(223,781)
<b>Balance, December 31, 2017</b>	<b>132,763,360</b>	<b>\$ 17,603,516</b>	<b>\$ 4,001,075</b>	<b>\$ (7,225)</b>	<b>\$ 4,204,122</b>	<b>\$ (21,912,823)</b>	<b>\$ 3,888,665</b>

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

**CASTLE PEAK MINING LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)

	Year ended December 31, 2017	Year ended December 31, 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	\$ (1,007,218)	\$ (14,126,192)
Items not involving cash:		
Depreciation	-	2,061
Impairment of exploration and evaluation assets	836,400	13,821,906
Changes in non-cash items:		
Receivables	51	1,750
Prepaid expenses	500	1,326
Accounts payable and accrued liabilities	(105,908)	106,223
Net cash used in operating activities	<u>(276,175)</u>	<u>(192,926)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of exploration and evaluation assets	2,851,711	-
Expenditures on exploration and evaluation assets	<u>(422,305)</u>	<u>(330,194)</u>
Net cash provided by (used in) investing activities	<u>2,429,406</u>	<u>(330,194)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from share issuances (net)	-	493,683
Loans received from related parties	<u>28,494</u>	<u>-</u>
Net cash provided by financing activities	<u>28,494</u>	<u>493,683</u>
Effect of exchange rate on cash	<u>(64,467)</u>	<u>(2,593)</u>
<b>Change in cash during the year</b>	<b>2,117,258</b>	<b>(32,030)</b>
<b>Cash, beginning of the year</b>	<u>2,289</u>	<u>34,319</u>
<b>Cash, end of the year</b>	<u>\$ 2,119,547</u>	<u>\$ 2,289</u>

Supplemental disclosures with respect to cash flows (Note 10)

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

**1. NATURE OF OPERATIONS**

Castle Peak Mining Ltd. (the "Company" or "Castle Peak") is in the business of exploration and evaluation of mineral properties in Ghana, Africa. Castle Peak was incorporated under the laws of British Columbia on June 3, 2009. The Company is listed on the TSX Venture Exchange ("TSXV") under the symbol "CAP".

The address of the Company's corporate office and principal place of business is 29 - 1255 Riverside Drive, Port Coquitlam, British Columbia, Canada. The address of the Company's legal records is 2900 - 550 Burrard St, Vancouver.

**2. BASIS OF PRESENTATION AND GOING CONCERN**

**Statement of compliance**

The accompanying consolidated financial statements, including comparatives have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

**Basis of measurement**

These consolidated financial statements are presented in Canadian dollars except where otherwise noted.

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments as fair value through profit and loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**Going concern of operations**

The Company's consolidated financial statements are prepared using IFRS applicable to a going concern, which contemplates the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has not generated revenue from operations and may require additional financing or outside participation to undertake further activities. Management believes there is sufficient working capital to sustain operations for the next fiscal year.

**Critical accounting estimates, judgements and assumptions**

The preparation of these consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts and disclosures of assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the period. Actual results could differ from those estimates and such differences could be significant.

Critical judgments

The preparation of these consolidated financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in this note, as well as the determination of functional currency. The functional currency is the currency of the primary economic environment in which an entity operates, and has been determined for each entity within the Company. The functional currency for the Company and Castle Peak 2006 has been determined to be the Canadian dollar, while the functional currency of the Ghana Subsidiaries has been determined to be the United States dollar.

**2. BASIS OF PRESENTATION AND GOING CONCERN (cont'd...)**

**Critical accounting estimates, judgements and assumptions (cont'd...)**

Key sources of estimation uncertainty

Significant estimates made by management affecting the consolidated financial statements include:

*Share-based payments*

Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of share-based payments expense for the period along with the assumptions and model used for estimating fair value for share-based payment transactions are disclosed in Note 8.

*Deferred tax assets & liabilities*

The estimation of income taxes and liabilities includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets or liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets and liabilities, and deferred income tax provisions or recoveries could be affected.

*Recoverability of exploration & evaluation assets*

The recoverability of the amounts shown for exploration and evaluation assets were adjusted during the year ended December 31, 2017, to reflect the anticipated net realizable value of these assets upon completion of the sale with Star Goldfields Ltd. (Note 5). Otherwise, the recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete the development of those mineral reserves, and upon future production or proceeds from the disposition thereof.

**3. SIGNIFICANT ACCOUNTING POLICIES**

These consolidated financial statements have been prepared in accordance with IFRS and reflect the following significant accounting policies.

**Basis of consolidation**

The consolidated financial statements include the accounts of Castle Peak 2006 and its subsidiaries:

- Canterbury Mining Company Limited ("Canterbury"),
- Windsor Mining Company Limited ("Windsor"),
- Oxford Mining Company Limited ("Oxford"),
- Thames Mining Company Limited ("Thames"),
- Great Yorkshire Mining Company Limited ("Great Yorkshire"),
- Kensington Mining Company Limited ("Kensington"),
- Castle Peak Mining Limited ("Ghana")

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd...)

**Basis of consolidation** (cont'd...)

The Company owns 100% of the shares of the above subsidiaries.

- POW International Limited ("POW")

The Company owns 83% of the shares of POW.

All of these subsidiaries are incorporated in Ghana (the "Ghana Subsidiaries"). Refer to Note 5 for information on the exploration licenses owned by these subsidiaries.

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intercompany transactions and balances have been eliminated.

Non-controlling interest in the net assets of the consolidated subsidiaries are identified separately from the Company's equity. The non-controlling interest consists of the non-controlling interest's portion of net assets and profit or loss.

**Foreign currency translation**

Functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency of the Company and Castle Peak 2006 is the Canadian dollar, and the functional currency of the Ghana subsidiaries is the United States dollar.

Translation of foreign transactions and balances into the functional currency

Foreign currency transactions are translated into the functional currency of the Company at rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, all monetary assets and liabilities that are denominated in foreign currencies are translated to the functional currency of the Company at the rates prevailing at the date of the statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss.

Translation of the functional currency into the presentation currency

The results of foreign operations which have a different functional currency than the Company are translated to Canadian dollars at appropriate average rates of exchange during the year. The monetary assets and liabilities of foreign operations are translated to Canadian dollars at rates of exchange in effect at the end of the period. Gains or losses arising on translation of the foreign operation to Canadian dollars at period end are recognized in accumulated other comprehensive income (loss) as a foreign currency translation adjustment.

**Equipment**

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Depreciation is provided at rates calculated to write off the cost of equipment, less their estimated residual value, using the following rates:

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Equipment (cont'd...)**

- Office furniture and equipment: 20% declining balance
- Computer hardware: 30% declining balance
- Vehicles: Straight-line over the expected lives of the vehicles

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

**Impairment of long-lived assets**

At each financial position reporting date the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the year.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

A reversal of an impairment loss is recognized immediately in profit or loss and the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

**Exploration and evaluation assets**

Once the legal right to explore a property has been acquired, exploration and evaluation costs are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Each of the Company's exploration and evaluation assets is considered to be a cash generating unit. Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development, and is classified as "mines under construction". Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while those costs for the prospects abandoned are written off.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Exploration and evaluation assets (cont'd...)**

The recoverability of the amounts capitalized for the undeveloped exploration and evaluation assets is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

Management regularly reviews the carrying value of exploration and evaluation assets for events or circumstances that may indicate possible impairment.

**Future reclamation costs**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement or reclamation of mineral interests (exploration and evaluation assets). The net present value of future rehabilitation cost estimates is capitalized to the related assets along with a corresponding increase in the reclamation provision in the year incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the reclamation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the year.

As at December 31, 2017 and December 31, 2016, the Company had no significant future reclamation costs.

**Basic and diluted loss per share**

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares. Potential issuable common shares are not included in the calculation if their inclusion would be anti-dilutive. This method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the average market price during the year. For the years presented, basic loss per share is equal to diluted loss per share.

**Income taxes**

Income tax on profit or loss comprises of current and deferred tax. Current tax is the expected tax paid or payable on the taxable income for the year, using tax rates enacted or substantively enacted as of the date of the Company's consolidated statement of financial position, and any adjustment to tax paid or payable in respect of previous years.

Deferred income tax assets and liabilities are determined based on the temporary differences between the carrying amounts and tax bases of the assets and liabilities. Deferred income tax assets and liabilities are measured using substantively enacted and enacted tax rates expected to apply in the years in which the differences are expected to reverse.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Income taxes (cont'd...)**

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

**Share-based payments**

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. The Company recognizes share-based payments expense based on the estimated fair value of the options. A fair value measurement is made for each vesting installment within each option grant and is determined using the Black-Scholes option-pricing model. The fair value of the options is recognized over the vesting period of the options granted as both share-based payments expense and other equity reserve. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods. The other equity reserve account is subsequently reduced if the options are exercised and the amount initially recorded is then credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

**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 comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried on the statement of financial position at fair value with changes in fair value recognized in profit or 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.

*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 profit or loss.

*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 profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Financial instruments (cont'd...)**

Financial assets (cont'd...)

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, which are described above.

Financial liabilities

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

*Fair value through profit or loss* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried on the statement of financial position at fair value with changes in fair value recognized in profit or loss.

*Other financial liabilities* - This category includes non-derivative financial liabilities that are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the financial liabilities are measured at amortized cost.

The Company has classified its cash as fair value through profit and loss. The Company's receivables are classified as loans and receivables. The Company's accounts payable and accrued liabilities, and loans due to related parties are classified as other financial liabilities.

The Company classifies the fair value of financial instruments according to the following hierarchy based on the relative reliability of the inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Refer to Note 13 for further information on financial instruments.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Comprehensive income (loss)**

Comprehensive income (loss) is the change in the Company's equity that results from transactions and other events from other than the Company's shareholders. The Company's translation of its subsidiaries to Canadian dollars is the only item currently affecting other comprehensive income for the years presented.

**Capital stock**

The proceeds from the issuance of units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to common shares based on the fair value of a common share at the date of issuance of the units and any residual remaining is allocated to the common share purchase warrants.

**New standards and interpretations not yet adopted**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company:

- IFRS 9: New standard that replaced IAS 39 for classification and measurement of financial instruments effective for annual periods beginning on or after January 1, 2018.
- IFRS 15: New standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers, effective for annual periods beginning on or after January 1, 2018.
- IFRS 16: New standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases, effective for annual periods beginning on or after January 1, 2019.

The Company does not expect a significant impact from adapting all the above new standards.

**CASTLE PEAK MINING LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
December 31, 2017

**4. EQUIPMENT**

	Office Furniture & Equipment	Computer Hardware	Vehicles	Total
<b>Cost</b>				
Balance at December 31, 2015, December 31, 2016 and December 31, 2017	\$ 21,029	\$ 29,604	\$ 12,036	\$ 62,669
<b>Depreciation</b>				
Balance at December 31, 2015	\$ 20,346	\$ 28,002	\$ 12,036	\$ 60,384
Depreciation for the year	3,532	1,602	-	5,134
Balance at December 31, 2016 and December 31, 2017	\$ 23,878	\$ 29,604	\$ 12,036	\$ 65,518
Effect of foreign currency translation at December 31, 2016	\$ 2,849	\$ -	\$ -	\$ 2,849
Effect of foreign currency translation at December 31, 2017	\$ -	\$ -	\$ -	\$ -
<b>Carrying amounts</b>				
At December 31, 2016	\$ -	\$ -	\$ -	\$ -
At December 31, 2017	\$ -	\$ -	\$ -	\$ -

During the year December 31, 2017, depreciation of \$nil (December 31, 2016 - \$3,073) was capitalized to exploration and evaluation assets.

**5. EXPLORATION AND EVALUATION ASSETS**

**Akorade Project**

Castle Peak holds nine adjoining mineral concessions in the southern Ashanti belt in Ghana together named the Akorade Project. The licenses are known as Nkwanta, Asuogya, Ayiem, Kedadwen, POW, Bonsaso, Dompem, Enyinase and Great Yorkshire. Details of ownership, carried interest, and royalties are as follows:

- Nkwanta, Asuogya, Ayiem, and Kedadwen: Canterbury owns a 95% interest in these concessions with the vendor retaining a 5% free carried interest. Each of these concessions is subject to a 1% net smelter return ("NSR") royalty in the favour of Sandstorm Gold Ltd.;
- POW: POW International, of which the Company owns 83% of the shares, owns a 100% interest in this prospecting license. This licence is subject to a 1% NSR held by Sandstorm Gold Ltd.;
- Bonsaso: Windsor owns a 90% interest in this prospecting license, subject to a 10% beneficial interest to the vendor;
- Dompem: Windsor owns a 100% interest in this prospecting license, subject to a 2.5% NSR to the vendor and a 1% NSR to Sandstorm Gold Ltd.;
- Great Yorkshire: Great Yorkshire owns a 100% legal and beneficial interest in this prospecting license.
- Enyianse: Windsor owns a 100% interest in this prospecting license, subject to a 1.5% NSR to the vendor and a 1% NSR to Sandstorm Gold Ltd.

**5. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

**Sale of royalty**

In December 2014, the Company entered into a royalty agreement (the "Royalty Agreement") with a third party company pursuant to which Castle Peak received an aggregate amount of \$1,150,000 in exchange for a 1% net smelter returns royalty (the "Royalty") on the sale of minerals from the Akorade project in Ghana, excluding the Bonsaso license.

During the year ended December 31, 2015, the final \$575,000 owing under the Royalty Agreement was received upon registration of the Royalty Agreement with the applicable entities in Ghana.

**Sale of assets**

On August 3, 2017, the Company entered into a definitive agreement (the "Agreement") (which superseded the letter of intent signed on April 19, 2017) with Star Goldfields Ltd. ("Star Goldfields"). The agreement allowed Star Goldfields to purchase the Company's nine prospecting licenses in Ghana through acquiring 100% of the common shares of the Company's wholly-owned subsidiary Castle Peak Mining (2006) Ltd. for total cash proceeds of US \$4,250,000 (the "Transaction") payable as follows:

- a) A non-refundable down payment of US \$200,000 (CAD\$ 271,458 received on April 28, 2017)
- b) A non-refundable deposit of US \$2,050,000, payable upon signing of the Agreement (CAD\$ 2,580,253 received on August 8, 2017)
- c) The balance of US \$2,000,000 payable at closing of the Transaction (CAD\$ 2,615,800 received on March 19, 2018).

**Impairment of Akorade Project**

As at December 31, 2016, the Company recorded an impairment on the Akorade project as estimated by management with reference to the fair value of the underlying prospecting licenses, less costs to sell ("FVLCS").

Subsequent to December 31, 2016, the Company determined that there were several indicators of impairment of the carrying value of the Company's prospecting licenses. The indicators of impairment included the following:

- The Company has low cash resource and negative working capital;
- There are no budgeted future expenditures as a result of the Company's working capital position;

As a result of the indicators above, an impairment test was carried out on the Company's Akorade project. The impairment test resulted in an impairment of exploration and evaluation assets of \$13,821,906, recognized in profit or loss for the year ended December 31, 2016.

The recoverable amount of the Akorade project was determined on the basis of FVLCS because the FVLCS is considered to be the higher amount between value-in-use and FVLCS. The FVLCS was determined based on an assessment of the fair value in terms of the Letter Agreement the Company signed with Star Goldfields on April 19, 2017 for the sale to Star Goldfields of the Company's nine prospecting licenses in Ghana for total cash proceeds of US \$4,250,000.

Upon signing the definitive agreement with Star Goldfields on August 3, 2017, the Company determined the carrying value of the Akorade project will not be fully recoverable since the proceeds from the Agreement will amount to less than the carrying value. As a result, the Company recorded further impairment loss of \$836,400 in profit or loss on the Akorade project as estimated by management with reference to the fair value of the underlying prospecting licenses, less costs to sell ("FVLCS"). As at December 31, 2017, the carrying value represents the net present value of the remaining payment receivable of USD\$ 2,000,000 less total costs to sell of US\$270,380 (received subsequent to December 31, 2017).

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**5. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

Exploration and evaluation assets expenditures related to the Company's interests in the Akorade Project are as follows:

	<b>Akorade Project</b>	
<b>Balance at December 31, 2015</b>	<b>\$</b>	<b>19,603,810</b>
<b>Additions for the year:</b>		
Drilling and access		130,793
Geochemistry		12,091
Field logistics		52,374
Exploration salaries and wages		122,805
Contract labour		47,483
General and administrative		45,149
Environmental, permitting and other		33,444
Impairment of exploration and evaluation assets		(13,821,906)
Translation adjustment		(519,568)
		<u>(13,897,335)</u>
<b>Balance at December 31, 2016</b>	<b>\$</b>	<b>5,706,475</b>
<b>Additions for the year:</b>		
Drilling and access		12,653
Geochemistry		211
Field logistics		37,002
Exploration salaries and wages		126,350
Contract labour		30,588
General and administrative		46,301
Environmental, permitting and other		57,953
Impairment of exploration and evaluation assets		(836,400)
Proceeds from Transaction with Star Goldfields		(2,851,711)
Translation adjustment		(159,614)
		<u>(3,536,667)</u>
<b>Balance at December 31, 2017</b>	<b>\$</b>	<b>2,169,808</b>

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**5. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

	<b>Akorade Project</b>	
<b>Cumulative balance at December 31, 2017:</b>		
Drilling and access	\$	4,238,655
Geophysics		931,897
Geochemistry		541,797
Field logistics		1,314,133
Exploration salaries and wages		1,986,191
Contract labour		725,597
Exploration management and consulting services		507,526
General and administrative		1,706,083
Land acquisition costs		4,087,678
Environmental, permitting and other		676,531
Proceeds from sale of royalty		(1,150,000)
Transaction costs from royalty agreement		74,844
Impairment of exploration and evaluation assets		(14,658,306)
Proceeds from Transaction with Star Goldfields		(2,851,711)
Translation adjustment		4,038,893
<b>Balance at December 31, 2017</b>	<b>\$</b>	<b>2,169,808</b>

**6. LOANS DUE TO RELATED PARTIES**

As of December 31, 2017, \$146,428 (December 31, 2016 - \$117,934) was owing to three directors of the Company (the "Loans"). The Loans are unsecured and non-interest bearing with no set terms of repayment.

**7. RELATED PARTY TRANSACTIONS**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and executive officers.

During the years ended December 31, 2017 and 2016, the Company entered into the following transactions with related parties and key management personnel that are not disclosed elsewhere in the consolidated financial statements:

	Year ended December 31, 2017	Year ended December 31, 2016
Salaries and benefits paid to officers and senior management <sup>(1)</sup>	\$ 188,643	\$ 297,120

<sup>(1)</sup> Remuneration attributed to key management personnel is recorded in salaries and benefits, and exploration and evaluation assets.

As at December 31, 2017, \$202,729 (December 31, 2016 - \$237,651) was owing to directors and officers of the Company and is included in accounts payable and accrued liabilities.

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**8. CAPITAL STOCK AND OTHER EQUITY RESERVE**

**Capital stock**

The Company is authorized to issue an unlimited number of common shares.

As at December 31, 2017 and December 31, 2016, the Company had 132,763,360 common shares outstanding.

During the year ended December 31, 2017, the Company had no share transactions.

On July 13, 2016, the Company completed a non-brokered private placement consisting of the issuance of 16,666,667 units at a price of \$0.03 per unit for gross proceeds of \$500,000. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.05 per share until January 12, 2018. These warrants were recorded at \$Nil value based on the residual value method. The Company paid a cash finder's fee of \$3,600 in connection with this offering, and incurred other cash share issue costs of \$26,486.

**Share purchase warrants**

The following is a summary of changes in warrants:

	<u>Weighted Average</u>	
	Number of Warrants	Exercise Price
Outstanding at December 31, 2015	40,000,000	\$0.100
Granted	16,666,667	\$0.050
Expired	(20,000,000)	\$0.100
Outstanding at December 31, 2016	36,666,667	\$0.053
Expired	(20,000,000)	\$0.055
Outstanding at December 31, 2017	16,666,667	\$0.050

As at December 31, 2017, the Company had outstanding warrants as follows:

Outstanding	Remaining Life (years)	Exercise Price	Expiry Date
16,666,667	0.03	\$0.050	January 12, 2018 <sup>(1)</sup>

<sup>(1)</sup> All warrants outstanding at December 31, 2017 expired on January 12, 2018.

During the year ended December 31, 2016, the Company authorized amendment to 20,000,000 of the 40,000,000 outstanding share purchase warrants, which were set to expire on July 9, 2016 ("the Amendment"). The Amendment extended the expiry date to December 16, 2017 and reduced the exercise price to \$0.055 per share purchase warrant. The Amendment was determined to have a \$nil effect in the value of the warrants.

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**8. CAPITAL STOCK AND OTHER EQUITY RESERVE (cont'd...)**

**Stock options**

Option plan details

The Company has adopted a stock option plan (the "Plan") which provides that the Board of Directors of the Company may from time to time, at its discretion, and in accordance with the Exchange requirements, grant share options to directors, officers, employees and consultants of up to 10% of the issued and outstanding common shares of the Company. Stock options granted under the Plan will have a term not to exceed ten years, have an option price not less than the market price on the grant date, and will not be assignable or transferable by the optionee.

The Company's Board of Directors, subject to the policies of the Exchange, may determine and impose terms upon which each option shall become vested, provided that, if the Company's common shares are listed on the TSX-V, options granted to consultants performing investor relations activities must vest in stages over 12 months with no more than 25% of the options vesting in any three-month period.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	<u>Weighted Average</u>	
	<u>Number of Options</u>	<u>Exercise Price</u>
Outstanding at December 31, 2015 and 2016	3,617,500	\$0.25
Expired	(1,312,500)	\$0.15
Outstanding at December 31, 2017	2,305,000	\$0.31

As at December 31, 2017, the following stock options were outstanding and exercisable:

Number of Options Outstanding	Number of Options Exercisable	Remaining Life (years)	Exercise Price	Expiry Date
450,000	450,000	2.19	\$0.10	March 9, 2020
1,790,000	1,790,000	3.19	\$0.35	March 7, 2021
65,000	65,000	3.54	\$0.52	July 13, 2021
2,305,000	2,305,000			

The Company recognizes share-based payments expense for all stock options granted at fair value of the options granted. The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free rates, dividend yields, forfeiture rates, volatility factors, and expected life of the options. During the years ended December 31, 2017 and 2016, the Company recognized share-based payments expense of \$nil on options vesting during the year.

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**8. CAPITAL STOCK AND OTHER EQUITY RESERVE (cont'd...)**

**Other equity reserve**

The following is a summary of changes in other equity reserve:

	Gain from related party debt settlement	Options and agent's warrants	Warrants	Total
Balances at December 31, 2017, 2016 and 2015	\$ 243,349	\$ 1,287,092	\$ 2,470,634	\$ 4,001,075

**9. INCOME TAXES**

A reconciliation of income taxes at statutory rates is as follows:

	December 31, 2017	December 31, 2016
Loss for the year	\$ (1,007,218)	\$ (14,126,192)
Expected income tax recovery	\$ (262,000)	\$ (3,673,000)
Permanent differences	217,000	3,594,000
Change in statutory, foreign tax, foreign exchange rates and other	(259,000)	(927,000)
Change in unrecognized deductible temporary differences	304,000	1,006,000
Total income tax recovery	\$ -	\$ -

The significant deductible temporary differences, unused tax losses and expiry dates are as follows:

	December 31, 2017		December 31, 2016	
Capital assets and other	\$ 36,000	No expiry	36,000	No expiry
Non-capital losses available for future periods	5,195,000	2029 - 2037	5,337,000	2017 - 2036
Share issuance costs	18,000	2037 - 2040	31,000	2037 - 2040

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

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**10. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS**

	Year ended December 31, 2017	Year ended December 31, 2016
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -

The following were significant non-cash transactions affecting cash flows from investing and financing activities during the year December 31, 2017:

- \$44,843 of exploration and evaluation assets were included in accounts payable and accrued liabilities at December 31, 2017.

The following were significant non-cash transactions affecting cash flows from investing and financing activities during the year December 31, 2016:

- \$156,090 of exploration and evaluation assets were included in accounts payable and accrued liabilities at December 31, 2016.
- \$3,073 of depreciation was capitalized to exploration and evaluation assets.
- \$23,769 of share issue costs were included in accounts payable and accrued liabilities at December 31, 2016.

**11. SEGMENTED INFORMATION**

The Company has one reportable operating segment, being the acquisition, exploration and evaluation of exploration and evaluation assets in Ghana.

Geographical information is as follows:

	December 31, 2017	December 31, 2016
Exploration and evaluation assets		
Ghana	\$ 2,169,808	\$ 5,706,475

**12. 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 evaluation of its exploration and evaluation assets. 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 Company considers components of equity in the management of capital.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. These properties were sold subsequent to December 31, 2017 (Note 5). 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.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

**13. FINANCIAL INSTRUMENTS AND RISK FACTORS**

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, and loans due to related parties.

The fair value of the Company's receivables, accounts payable and accrued liabilities, and loans due to related parties approximate carrying value due to their short terms to maturity. The Company's other financial instrument, cash, is recorded at fair value, and under the fair value hierarchy is based on level one quoted prices in active markets for identical assets and liabilities. Refer to Note 3 for details on the fair value hierarchy.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

**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 credit risk is primarily attributable to cash and receivables. Other than nominal cash held by its subsidiary in Ghana, the majority of the Company's cash is held with a major Canadian chartered bank and management believes the risk of loss to be remote. Receivables consist of input tax credits receivable from the Government of Canada. The Company does not believe it is subject to significant credit risk in relation to its receivables.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. As at December 31, 2017, the Company had cash of \$2,119,547 to settle current liabilities of \$410,029.

**13. FINANCIAL INSTRUMENTS AND RISK FACTORS (cont'd...)**

**Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

**a) Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of the Company's financial instruments will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk on its cash balances which earn interest at variable market interest rates, however, this exposure is considered to be minimal. The Company has no interest-bearing debt, and therefore, is not exposed to risk in the event of interest rate fluctuations.

**b) Currency risk**

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company's expenditures are predominantly in Canadian dollars, US dollars, with a nominal level of activity in Ghanaian cedis. The Company has financial assets and liabilities denominated in US dollars and Ghanaian cedis as at December 31, 2017. Based on the Company's net exposure as at December 31, 2017, a 10% depreciation or appreciation of the Canadian dollar against the US dollar and Ghanaian cedis would result in an impact on profit or loss of \$209,254 and a trivial impact on comprehensive income (loss).

**c) Price risk**

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's profit or loss due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

**14. SUBSEQUENT EVENT**

On March 19, 2018 The Company closed the Transaction with Star Goldfields (Note 5) and received the final payment of US\$2,000,000 (CAD\$ 2,615,800) in connection with the completion of the Transaction. The Company paid a total of US\$270,380 (CAD\$ 353,630) in transaction costs.