



FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(Stated in Canadian Funds Unless Noted Otherwise)

LANCASTER & DAVID

CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the shareholders of Vangold Resources Ltd.:

We have audited the accompanying financial statements of Vangold Resources Ltd., which comprise the statement of financial position as at December 31, 2016 and 2015, and the 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 Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of Vangold Resources Ltd. as at December 31, 2016 and 2015, 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 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Vangold Resources Ltd. to continue as a going concern.

/s/ LANCASTER & DAVID

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
April 28, 2017

Vangold Resources Ltd.

Statements of Financial Position

(Stated in Canadian Funds)

Assets	As at December 31, 2016		As at December 31, 2015	
Current Assets:				
Cash	\$	55,816	\$	1,041
Sales tax and other receivables		9,324		5,236
Prepaid expenses		1,269		-
		66,409		6,277
Non-Current Assets:				
Equipment (Note 5)		-		7,104
Exploration and evaluation assets (Note 6)		9,001		9,001
Total Assets	\$	75,410	\$	22,382
Liabilities and Deficit				
Current Liabilities:				
Accounts payable and accrued liabilities (Note 11)	\$	352,970	\$	272,932
Short-term debt (Note 9 and 11)		235,126		159,366
Total Liabilities		588,096		432,298
Deficit				
Share capital (Note 10)		34,157,262		34,157,262
Share subscriptions received (Note 10)		50,000		-
Equity reserves (Note 10)		8,953,903		8,953,903
Deficit		(43,673,851)		(43,521,081)
Total Deficit		(512,686)		(409,916)
Total Liabilities and Deficit	\$	75,410	\$	22,382

Nature of Operations and Going Concern (Note 1)

Contingent Liabilities (Note 17)

Subsequent Events (Note 18)

Approved by the Board of Directors on April 28, 2017:

“Michael Cooney” _____, Director

“Cameron King” _____, Director

- See Accompanying Notes to the Financial Statements -

Vangold Resources Ltd.
Statements of Loss and Comprehensive Loss

(Stated in Canadian Funds)

	Year Ended December 31, 2016	Year Ended December 31, 2015
Expenses:		
Depreciation <i>(Notes 5)</i>	\$ 1,066	\$ 1,776
General and administrative expenses <i>(Note 15)</i>	102,148	80,257
Project investigation costs	17,897	-
Impairment of marketable securities <i>(Note 8)</i>	-	1
Impairment of oil and gas assets <i>(Note 7)</i>	-	1
Interest and accretion on short-term debt <i>(Note 9)</i>	25,621	18,231
Net Loss Before Other Expenses	(146,732)	(100,266)
Other Expenses		
Loss on disposal of equipment <i>(Note 5)</i>	(6,038)	-
Net and Comprehensive Loss for the Year	\$ (152,770)	\$ (100,266)
Weighted Average Number of Shares Outstanding – Basic and Diluted	8,030,773	8,030,773
Basic and Diluted Loss per Share	\$ (0.02)	\$ (0.01)

- See Accompanying Notes to the Financial Statements -

Vangold Resources Ltd.
Statements of Changes in Equity (Deficit)

(Stated in Canadian Funds)

	SHARE CAPITAL		SHARE SUBSCRIPTIONS RECEIVED	EQUITY RESERVE	DEFICIT	TOTAL EQUITY (DEFICIENCY)
	NUMBER OF SHARES	AMOUNT				
Balance – December 31, 2014	8,030,774	\$ 34,157,262	\$ -	\$ 8,953,903	\$ (43,420,815)	\$ (309,650)
Net and comprehensive loss for the year	-	-	-	-	(100,266)	(100,266)
Balance – December 31, 2015	8,030,774	\$ 34,157,262	\$ -	\$ 8,953,903	\$ (43,521,081)	\$ (409,916)
Share subscriptions received	-	-	50,000	-	-	50,000
Net and comprehensive loss for the year	-	-	-	-	(152,770)	(152,770)
Balance – December 31, 2016	8,030,774	\$ 34,157,262	\$ 50,000	\$ 8,953,903	\$ (43,673,851)	\$ (512,686)

- See Accompanying Notes to the Financial Statements -

Vangold Resources Ltd.

Statements of Cash Flows

(Stated in Canadian Funds)

	Year Ended December 31, 2016	Year Ended December 31, 2015
Operating Activities:		
Net loss for the year	\$ (152,770)	\$ (100,266)
Adjustment for items which do not involve cash:		
Accrued interest on short-term debt	25,621	18,231
Depreciation	1,066	1,776
Impairment of marketable securities	-	1
Impairment of oil and gas assets	-	1
Loss on disposal of equipment	6,038	-
Changes in non-cash working capital components:		
Sales tax and other receivables	(4,088)	(2,906)
Prepaid expenses	(1,269)	-
Accounts payable and accrued liabilities	80,038	13,025
Cash Used in Operating Activities	(45,364)	(70,138)
Investing Activity:		
Additions to exploration and evaluation assets	-	(9,000)
Cash Used in Investing Activity	-	(9,000)
Financing Activity:		
Proceeds from short-term debt	50,139	76,500
Share subscriptions received	50,000	-
Cash Provided by Financing Activity	100,139	76,500
Net Change in Cash	54,775	(2,638)
Cash - Beginning of the Year	1,041	3,679
Cash - End of the Year	\$ 55,816	\$ 1,041
Supplemental Cash Flow Disclosure		
Interest paid	\$ -	\$ -
Income tax paid	\$ -	\$ -

- See Accompanying Notes to the Financial Statements -

Vangold Resources Ltd.

Notes to the Financial Statements

(Stated in Canadian Funds Unless Noted Otherwise)

1. Nature of Operations and Going Concern

Vangold Resources Ltd. (the “Company” or “Vangold”) is in the business of the acquisition and exploration of exploration and evaluation assets and the exploration of oil and gas assets. The Company currently holds exploration and evaluation asset interests located in Canada.

The head office of the Company is located at 1400 – 1111 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4M3. The Company’s registered and records office is located at Suite 1780 – 400 Burrard Street, Vancouver, British Columbia, Canada, V6C 3A6. Vangold is a publicly listed company incorporated under the Business Corporations Act of British Columbia and is listed on the TSX Venture Exchange (“TSX.V”) under the symbol “VAN”.

While these financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses since inception, has a working capital deficiency of \$521,687 (2015 - \$426,021) and has an accumulated deficit of \$43,673,851 at December 31, 2016 (2015 - \$43,521,081). The Company will need to raise sufficient funds in order to finance ongoing exploration and administrative expenses and to settle its liabilities, which may be settled by issuances of shares or other means. The Company has no assurance that such financing will be available or be available on favourable terms. These conditions cast significant doubt as to the Company’s ability to continue as a going concern.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

On November 7, 2016, the Company consolidated its common shares on the basis of a one post-consolidated common share for every three pre-consolidated common shares. All share and per share amounts have been retroactively revised to reflect the consolidation.

2. Basis of Preparation

(a) Statement of Compliance

The financial statements of Vangold were prepared in accordance with International Financial Reporting Standards (“IFRS”) and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations as issued by the International Accounting Standards Board (“IASB”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(b) Approval of the Financial Statements

The financial statements of Vangold for the year ended December 31, 2016 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 28, 2017.

Vangold Resources Ltd.

Notes to the Financial Statements

(Stated in Canadian Funds Unless Noted Otherwise)

3. Significant Accounting Policies

The significant accounting policies used in the preparation of these financial statements are as follows:

(a) Basis of Measurement and Principles of Consolidation

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

Subsidiaries are those entities which Vangold controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Vangold controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by Vangold and are de-consolidated from the date that control ceases. As at December 31, 2015, all of the Company's former wholly-owned subsidiaries were defunct and the financial statements are no longer presented on a consolidated basis.

The Company's former wholly-owned subsidiaries are presented below:

<u>Subsidiary</u>	<u>Location</u>
Corning Energy Inc.**	Nevada, USA
686614 B.C. Ltd.**	Vancouver, Canada
Vangold Resources (K) Ltd.**	Kenya, Africa
Rwenzori Copper and Nickel Ltd.**	Uganda, Africa

*** defunct as of December 31, 2015*

(b) Foreign Currency Translation

The Company's functional and presentation currency is the Canadian dollar, being the currency of the primary economic environment in which the entity operates.

Foreign currency transactions are measured at historical cost using the historical exchange rates in place at the time of the initial transaction. Monetary assets and liabilities held in foreign currencies are measured at the rate in effect on the date of the statement financial position. The foreign currency transaction gains and losses are included in profit or loss.

(c) Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided using the declining-balance method, less the estimated residual value. The Company provides for depreciation computed under the declining-balance method as follows: office equipment at 20% per annum; computer equipment at 30% per annum; mining equipment at 20% per annum; automobiles at 30% per annum and drilling equipment at 25% per annum.

Vangold Resources Ltd.

Notes to the Financial Statements

(Stated in Canadian Funds Unless Noted Otherwise)

3. Significant Accounting Policies – *Continued*

(d) Exploration and Evaluation Assets and Expenditures

Exploration and evaluation assets include any cash consideration and the fair market value of shares issued, if any, on the acquisition of exploration and evaluation asset interests. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. The recorded amounts of property claim acquisition and option payments represent actual expenditures incurred and are not intended to reflect present or future values. Option payments received on properties, are offset against the historical costs deferred on those properties.

Exploration and evaluation expenditures are charged to profit or loss as they are incurred until the exploration and evaluation asset reaches the development stage. Significant costs related to property acquisitions are capitalized until the viability of the mineral interest is determined. When it has been established that a mineral deposit is commercially mineable and an economic analysis has been completed, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized and will be amortized against production following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned.

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the conveyance history characteristic of many exploration and evaluation assets. The Company has investigated title to its exploration and evaluation assets and to the best of its knowledge title to its properties is in good standing.

(e) Impairment of Long-Lived Assets

At each 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, which is the present value of future cash flows expected to be derived from 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 profit or loss for the year.

For the purposes of impairment testing, equipment, exploration and evaluation assets, and oil and gas properties, 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.

Vangold Resources Ltd.

Notes to the Financial Statements

(Stated in Canadian Funds Unless Noted Otherwise)

3. Significant Accounting Policies - *Continued*

(f) Decommissioning, Restoration and Similar Liabilities

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets, oil and gas properties, and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a provision for a decommissioning liability is recognized at its present value in the period in which it is incurred, which is generally when an environmental disturbance occurs or a constructive obligation is determined. Upon initial recognition of the liability, a corresponding amount is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using the unit of production method.

Following the initial recognition of a decommissioning liability, the carrying amount of the liability is increased for the passage of time and adjusted for changes in the estimated provision resulting from revisions to the estimated timing and amount of cash flows, or changes in the discount rate. Changes to estimated future costs are recognized in the statement of financial position by either increasing or decreasing the decommissioning liability and the decommissioning asset. At December 31, 2016 and 2015, the Company did not record any decommissioning liabilities.

(g) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

(h) Share-Based Payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to equity reserves. Consideration received on the exercise of stock options is recorded as share capital and the related equity reserve is transferred to share capital. When stock options are forfeited prior to becoming fully vested, any expense relating to the unvested options previously recorded, is reversed.

(i) Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) is the change in equity during a period from transactions and other events and circumstances from non-owner sources. Accumulated other comprehensive income, has been included in equity in the statement of financial position. The components of this category will include unrealized gains and losses on financial assets classified as available-for-sale and cumulative translation adjustments of foreign subsidiaries which have a functional currency that is not the Canadian dollar.

Vangold Resources Ltd.

Notes to the Financial Statements

(Stated in Canadian Funds Unless Noted Otherwise)

3. Significant Accounting Policies - *Continued*

(j) Basic Loss per Share

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year. Under this method, the weighted average number of common shares used to calculate the dilutive effect in the statement of loss and comprehensive loss assumes that the proceeds that could be obtained upon exercise of options, warrants and similar instruments would be used to purchase common shares at the average market price during the year. In years where a net loss is incurred, basic and diluted loss per share is the same as the effect of outstanding stock options and warrants would be anti-dilutive.

(k) Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(l) Financial Instruments

(i) Financial Assets

The Company classifies its financial assets into the following categories: fair value through profit or loss, loans and receivables, held-to-maturity, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss comprise derivatives, or assets acquired principally for the purpose of selling or repurchasing in the near term. These are initially recognized at fair value with changes in fair value recorded through profit or loss. The Company does not have any financial assets classified under this category.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost less any impairment. Cash and sales taxes and other receivables have been classified under this category.

Vangold Resources Ltd.

Notes to the Financial Statements

(Stated in Canadian Funds Unless Noted Otherwise)

3. Significant Accounting Policies – *Continued*

(I) Financial Instruments – *Continued*

(i) Financial Assets – *Continued*

Held-to-maturity

Held-to-maturity financial 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 profit or loss. They are classified as current assets or non-current assets based on their maturity. The Company does not have any financial assets classified under this category.

Available-For-Sale

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in fair value are recognized in other comprehensive income (loss) and classified as a component of equity. When the financial assets are sold or an impairment write-down is required, the accumulated fair value adjustments in other comprehensive income (loss) are included in profit or loss and are included in other gains or losses.

Impairment

All financial assets except those measured 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 objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

(ii) Financial Liabilities

The Company classifies its financial liabilities in the following categories: other financial liabilities and financial liabilities through profit or loss.

Other Financial Liabilities

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transactions costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method. Other financial liabilities are classified as current or non-current based on their maturity date. Accounts payable and accrued liabilities, and short-term debt have been classified under this category.

Vangold Resources Ltd.

Notes to the Financial Statements

(Stated in Canadian Funds Unless Noted Otherwise)

3. Significant Accounting Policies – *Continued*

(l) Financial Instruments – *Continued*

(ii) Financial Liabilities – *Continued*

Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit or loss. The Company does not have any financial liabilities classified under this category.

See Note 13 for additional information on financial instruments and fair value measurement.

(m) Adoption of New Accounting Standards and Upcoming Changes

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for annual periods beginning on or after January 1, 2017, or later periods.

The following new standards, amendments and interpretations were not early adopted and will not have a material effect on the Company's future results and financial position:

- IFRS 9: New standard that replaced IAS 39 for classification and measurement, tentatively effective for annual periods beginning on or after January 1, 2018.
- Annual Improvements 2012 - 2014 Cycle: Revisions to IFRS 5, IFRS 7, IFRS 19 and IAS 24 for annual periods beginning on or after January 1, 2017.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. Critical Accounting Estimates and Judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and the 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. Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities in future years.

The information about significant areas of estimation uncertainty considered by management in preparing the financial statements is as follows:

Vangold Resources Ltd.

Notes to the Financial Statements

(Stated in Canadian Funds Unless Noted Otherwise)

4. **Critical Accounting Estimates and Judgments** – *Continued*

Carrying Value and Recoverability of Exploration and Evaluation assets

The carrying amount of Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the assets and properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets. To the extent that any of management's assumptions change, there could be a significant impact on the Company's future financial position, operating results and cash flows.

Fair Value of Stock Options and Warrants

Determining the fair value of warrants and stock options requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of equity (deficit).

Income Taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets 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 will not be realized. The ultimate realization of deferred tax assets 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 deferred income tax provisions or recoveries could be affected.

Information about significant areas of judgment considered by management in preparing the financial statements is as follows:

Going Concern and Functional Currency

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1, as well as the determination of functional currency as discussed in Note 3 (b).

Vangold Resources Ltd.
Notes to the Financial Statements

(Stated in Canadian Funds Unless Noted Otherwise)

5. Equipment

Cost	Office Equipment		Total
December 31, 2014 and 2015	\$	49,292	\$ 49,292
Disposals		(49,292)	(49,292)
December 31, 2016	\$	-	\$ -
Accumulated Depreciation			
December 31, 2014	\$	40,412	\$ 40,412
Depreciation		1,776	1,776
December 31, 2015		42,188	42,188
Depreciation		1,066	1,066
Disposals		(43,254)	(43,254)
December 31, 2016	\$	-	\$ -
Net Book Value			
December 31, 2015	\$	7,104	\$ 7,104
December 31, 2016	\$	-	\$ -

The disposals for the year ended December 31, 2016 was due to the disposal of the equipment during the year for \$nil proceeds. As a result, the Company recognized a loss on disposal of equipment of \$6,038.

6. Exploration and Evaluation Assets and Expenditures

Details of the Company's exploration and evaluation acquisition costs are as follows:

	Rossland Properties
December 31, 2014	\$ 1
Acquisition costs	9,000
December 31, 2015 and 2016	\$ 9,001

There were no exploration and evaluation expenses incurred on the Rossland or Evening Star properties during the years ended December 31, 2015 and 2016.

Rossland Properties, British Columbia

South Belt

Vangold holds a 50% interest in certain mineral claims within the historic Rossland gold camp in southeastern British Columbia.

The Company entered into an Option and Joint Venture Agreement with a private company, Rossland Resources Inc. ("RRI" or the "Optionee") that entitles RRI to earn a 100% interest in the property. RRI has fulfilled its commitments to earn a 50% interest. RRI has granted Vangold a 1.5% Net Smelter Royalty ("NSR") on the claims. It is understood that RRI can purchase the NSR granted to Vangold for a total of \$1,500,000 at any time. RRI is operator of the project.

Vangold Resources Ltd.

Notes to the Financial Statements

(Stated in Canadian Funds Unless Noted Otherwise)

6. Exploration and Evaluation Assets and Expenditures – Continued

Evening Star Property

The Company owns a 100% interest in the surface rights and a 50% interest in the mineral rights comprising the Evening Star Property, a former producing mine located in southeastern British Columbia. On July 1, 2014, the Company issued a mortgage on the Evening Star Property in the amount of \$50,000. The mortgage is being held as collateral on part of the Company's short-term debt (Note 9).

7. Oil and Gas Properties

As at December 31, 2015 and 2016, the Company did not have any oil and gas properties.

	Armenia
Balance – December 31, 2014	\$ 1
Impairment	(1)
Balance – December 31, 2015 and 2016	\$ -

During the year ended December 31, 2015, the Company recorded an impairment and write-down of \$1, as the Company no longer held any licenses underlying oil and gas properties.

8. Marketable Securities

Marketable securities have been classified as available-for-sale investments consisting of various common shares held by the Company of other publicly traded companies and are summarized as follows:

	<u>December 31, 2016</u>		<u>December 31, 2015</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
Common shares held in NGG	\$ -	166,000	\$ -	166,000

At December 31, 2016 and 2015, Vangold held 400,000 common shares in New Guinea Gold Corp. ("NGG"). Trading in NGG shares were halted and subsequently delisted, and at December 31, 2016 and 2015, management estimated the fair value of the shares at \$nil. During the year ended December 31, 2015, the Company recorded an impairment and write-down of \$1.

9. Short-term Debt

Loan 1

Balance – December 31, 2014, 2015 and 2016	\$ 24,551
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On July 4, 2012 Vangold entered into a loan arrangement with two lenders (one being NEMI Northern Energy & Mining Inc., "NEMI") for loans totaling \$550,000. The Company paid \$26,500, including applicable taxes, in debt issuance costs resulting in net proceeds of \$523,500. The loans bore interest at a rate of 20% per annum, simple interest. Interest was payable monthly and the outstanding principal was due and payable on July 5, 2013 and settled as noted below. The security on the short-term debt was provided by Vangold via its assets.

Vangold Resources Ltd.

Notes to the Financial Statements

(Stated in Canadian Funds Unless Noted Otherwise)

9. Short-term Debt - *Continued*

The lenders were also entitled to 977,779 bonus common shares in the Company with a fixed value of \$110,000, in consideration of the two short-term debts. The shares were issued during the year ended December 31, 2014.

In May of 2013, the Company transferred its shares of Coppermoly in settlement of the secured debt pursuant to the July 4, 2012 loan agreement. The transfer of Coppermoly shares was completed at \$0.033 per share to reduce the loan amount by \$460,659 representing the fair value of the Coppermoly shares at the time of the transfer. NEMI further reduced the liability owed by the Company upon sale of the Coppermoly shares at a gain. As a result, the Company recorded a gain on settlement of debts of \$80,407.

During the year ended December 31, 2014, an additional interest amount of \$15,617 was accrued to NEMI.

As at December 31, 2016, the balance of \$8,934 (2015 - \$8,934) owing to the second lender is non-interest bearing and unsecured and will be reduced to the extent the lender realizes more than an average of \$0.099 per share through sale of these shares. At December 31, 2016 and 2015, these shares were not sold as the market price of these shares remained below \$0.099 and therefore this liability remains.

Loan 2

During the year ended December 31, 2014, the Company entered into a loan arrangement with two related parties for loans totaling \$37,000. The loans bear a simple interest rate of 20% per annum, commencing July 1, 2014. Additional amounts were loaned during the years ended December 31, 2016 and 2015. The outstanding loans were due and payable July 1, 2015 and are currently past due.

The loans are secured with a mortgage on the Company's Evening Star Property for up to \$50,000 (Note 6).

At December 31, 2016, accrued interest on the loans was \$46,936 (2015 - \$21,315).

Balance – December 31, 2014	\$	40,084
Loans received		76,500
Interest accrued		18,231
Balance – December 31, 2015	\$	134,815
Loans received		50,139
Interest accrued		25,621
Balance – December 31, 2016	\$	210,575

Subsequent to the year ended December 31, 2016, the Company settled \$196,248 in short-term debt through the issuance of 2,803,542 common shares at a price of \$0.07 per share (Note 18 (b))

10. Equity

(a) Share Capital

The Company's authorized share capital consists of the following:

- Common Shares: unlimited common shares without par value.
- Class A Common Shares: unlimited common shares without par value.
- Class B Common Shares: unlimited common shares without par value.
- Class A Preferred Shares: unlimited preferred shares \$0.2947 par value.
- Class B Preferred Shares: unlimited preferred shares without par value.

Vangold Resources Ltd.

Notes to the Financial Statements

(Stated in Canadian Funds Unless Noted Otherwise)

10. Equity - *Continued*

Year Ended December 31, 2016

On November 7, 2016, the Company consolidated its issued and outstanding common shares on the basis of one new share of every three existing shares, resulting in 8,030,774 post-consolidated common shares. Unless otherwise indicated, all references to share capital and stock options presented in these financial statements and notes thereto are on a post-consolidation basis.

During the year ended December 31, 2016, the Company received share subscriptions of \$50,000 relating to a private placement that completed subsequent to year end (Note 18 (c)).

Year Ended December 31, 2015

There were no share issuances during the year ended December 31, 2015.

(b) Stock Options

The Company's Board of Directors approved the adoption of a stock incentive plan in accordance with the policies of the TSX.V. The Board of Directors is authorized to grant options under this plan to directors, officers, consultants or employees to acquire up to a maximum number of common shares of the Corporation equal to up to a maximum of 10% of the issued common shares of the Corporation at the time of any stock option grant; and to disclose that the minimum exercise price per common share of a stock option must not be less than \$0.05 per share

The maximum number of options that may be granted to any one person in any 12-month period must not exceed 5% of the common shares outstanding at the time of the grant or 2% if the optionee is a consultant or employed in an investor relations capacity. The plan states that the Board of Directors shall determine the manner in which the options shall vest and become exercisable. However, options granted to consultants performing investor relations activities shall vest over a minimum of 12 months and no more than one quarter of such options vesting in any 3-month period. The plan requires that the stock options may have a term not exceeding ten years. In the event of any option forfeiture, any expense recognized to date on unvested options is reversed in the period in which the forfeiture occurs.

There were no stock options outstanding at December 31, 2016 and 2015.

(c) Share Purchase Warrants

The number and weighted average exercise prices of warrants are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance – December 31, 2014	1,961,873	\$0.72
Expired	(843,473)	\$0.90
Balance - December 31, 2015	1,118,400	\$0.57
Expired	(1,118,400)	\$0.57
Balance – December 31, 2016	-	-

There were no share purchase warrants outstanding at December 31, 2016.

Vangold Resources Ltd.

Notes to the Financial Statements

(Stated in Canadian Funds Unless Noted Otherwise)

11. Related Party Transactions

Related Parties and Compensation of Key Management Personnel

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company incurred fees and expenses in the normal course of operations at exchange amounts agreed to by the transacting parties in connection with its former Chief Financial Officer ("CFO") as follows:

	December 31, 2016	December 31, 2015
Management and consulting fees*	\$ 6,000	\$ 24,000

* Management and consulting fees are included in general and administrative expense

All management and consulting fees for the years ended December 31, 2016 and 2015 are accrued to a private company controlled by the Company's former CFO.

Included in accounts payable and accrued liabilities at December 31, 2016, is \$1,966 (2015 - \$74,099) owed by the Company to the Chairman and former President and Chief Executive Officer ("CEO") of the Company. These amounts owing are for payments of expenses on behalf of the Company.

Included in accounts payable and accrued liabilities at December 31, 2016, is \$51,608 (2015 - \$44,363) owed by the Company to a former CFO of the Company. These amounts owing are for unpaid consulting fees. Subsequent to the year ended December 31, 2016, the Company settled \$50,663 of accounts payable and accrued liabilities owing to the former CFO through the issuance of 723,757 common shares at a price of \$0.07 per share (Note 18 (b)).

Included in accounts payable and accrued liabilities at December 31, 2016, is \$122,138 (2015 - \$nil) owed by the Company to the President and CEO of the Company and a company controlled by the President and CEO of the Company. These amounts owing are for debt assigned from certain vendors of the Company, consulting fees incurred prior to being appointed as President and CEO of the Company, and payments of expenses on behalf of the Company.

Included in accounts payable and accrued liabilities at December 31, 2016, is \$nil (2015 - \$29,736) owed by the Company to a former CFO of the Company. During the year ended December 31, 2016, \$29,736 owing to the former CFO of the Company was assigned to the President and CEO of the Company.

As at December 31, 2016, the Company had short-term debt, including accrued interest expense in the amount of \$235,126 (2015 - \$159,366), owing to the Chairman and former President and CEO of the Company and a company controlled by a director of the Company (Note 9).

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the years ended December 31, 2016 and 2015.

12. Segmented Information

The Company is primarily engaged in mineral exploration in Canada and formerly oil and gas activities in Armenia. At December 31, 2016 and 2015, all of the Company's assets were located in Canada.

13. Fair Value Measurement

Fair Value

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

Vangold Resources Ltd.

Notes to the Financial Statements

(Stated in Canadian Funds Unless Noted Otherwise)

13. Fair Value Measurement - *Continued*

Fair Value - *Continued*

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair value of cash is measured based on level 1 inputs of the fair value hierarchy.

Financial Risk Management

The Company's activities expose it to a variety of financial risks including credit risk, currency risk, liquidity risk, and market price risks.

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. Financial instruments that potentially subject the Company to credit risk consist of cash. The Company deposits its cash with high credit quality major Canadian financial institutions as determined by ratings agencies. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the maximum exposure to credit risk. Sales tax and other receivables comprises of GST receivable from the Government of Canada.

Currency Risk

The Company is not exposed to significant foreign currency risk as it does not hold significant foreign balances of cash, accounts payable and accrued liabilities, short-term debt or sales tax and other receivables.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company attempts to manage liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As of December 31, 2016, the Company had cash of \$55,816 to settle current liabilities of \$588,096. Further information relating to liquidity risk is disclosed in Note 1 of these financial statements.

Market Risk

The significant market risks to which the Company is exposed are interest rate risk, foreign currency risk, and price risk.

Vangold Resources Ltd.

Notes to the Financial Statements

(Stated in Canadian Funds Unless Noted Otherwise)

13. Fair Value Measurement - *Continued*

Interest Rate Risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is held mainly in a bank account at a Canadian bank. Fluctuations in market rates do not have a significant impact on estimated fair values as of December 31, 2016.

The Company's interest rate risk principally arises from the interest rate impact on interest charged on its short-term debt. The Company's short-term debt is subject to fixed interest rates thus any change in interest rates would not affect its short-term debt balances.

Foreign Currency risk

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. As at December 31, 2016, the Company is not exposed to currency risk as all transactions and balances are denominated in Canadian dollars.

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 earnings 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. Management of Capital

The Company considers its capital to consist of its share capital, equity reserves and deficit. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support exploration and development of exploration and evaluation assets. The Board of Directors has not established quantitative capital structure criteria management, but will review on a regular basis the capital structure of the Company to ensure its appropriateness to the stage of development of the business.

The Company's objectives when managing capital are:

- To maintain and safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, to support continued evaluation and maintenance at the Company's existing properties, and to acquire, explore, and develop other precious and base metal deposits.
- To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk and loss of principal.
- To obtain the necessary financing to complete exploration and development of its properties, if and when it is required.

Vangold Resources Ltd.

Notes to the Financial Statements

(Stated in Canadian Funds Unless Noted Otherwise)

14. Management of Capital - Continued

The properties in which the Company currently holds an interest in are in the exploration stage and the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and pay for administrative costs. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

In addition, the Company may issue new equity, incur additional debt, option its exploration and evaluation assets for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of certain assets. When applicable, the Company's investment policy is to hold cash in interest bearing accounts at high credit quality financial institutions to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends.

There were no changes in the Company's approach to capital management during the year ended December 31, 2016 compared to the year ended December 31, 2015. The Company is not subject to externally imposed capital requirements.

15. General and Administrative Expenses

	Year Ended December 31, 2016	Year Ended December 31, 2015
Investor relations	\$ 425	\$ 1,651
Management and consulting fees	57,000	48,000
Office and miscellaneous	1,854	1,959
Professional fees	31,050	15,300
Regulatory filing and transfer agent fees	11,819	13,347
Total	\$ 102,148	\$ 80,257

16. Income Taxes

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

	Year Ended December 31, 2016	Year Ended December 31, 2015
Loss before income taxes	\$ (152,770)	\$ (100,266)
Statutory enacted rates in Canada	26.00%	26.00%
Expected tax recovery	(40,000)	(26,000)
Adjustments:		
Non-deductible items and other	1,000	1,000
Change in unrecognized deductible temporary differences	39,000	25,000
Income tax expense (recovery)	\$ -	\$ -

Vangold Resources Ltd.

Notes to the Financial Statements

(Stated in Canadian Funds Unless Noted Otherwise)

16. Income Taxes - *Continued*

The significant components of deductible temporary differences, unused tax losses and unused tax credits that have not been included on the statement of financial position are as follows:

	December 31, 2016	Expiry date range	December 31, 2015	Expiry date range
Share issue costs	\$ 3,000	2017	\$ 6,000	2016 to 2017
Non-capital loss carry forwards	7,268,000	2027 to 2036	7,119,000	2027 to 2035
Exploration and evaluation and oil and gas assets	10,912,000	No Expiry	10,912,000	No Expiry
Equipment	332,000	No Expiry	325,000	No Expiry
Marketable securities	166,000	No Expiry	166,000	No Expiry

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

17. Contingent Liabilities

During the year ended December 31, 2014, the Company negotiated debts settlements with two creditors. An agreement was reached to settle payables of \$282,007 with the two creditors for a total of \$70,501, resulting in a gain on settlement of payables of \$211,506. The Company must pay the \$70,501 upon completion of a financing of at least \$2,500,000.

Once a financing of at least \$2,500,000 is completed, the Company must pay \$49,867 of the negotiated amount within five days to one creditor, and \$20,634 within 45 days to the other creditor. If either payment is not completed by the deadline, the debt settlement agreements are nullified and the Company must pay the initial payable amounts to each of the creditors. The Company must also comply with reasonable information requests from the creditors on a timely basis, otherwise the debt settlement agreements are nullified. At December 31, 2016, the \$70,501 remains in accounts payable and accrued liabilities. All requests have been met and the agreements are in good standing.

18. Subsequent Events

- (a) On April 27, 2017, the Company completed an acquisition of a 100% interest in the El Pinguico property, located in Guanajuato State, Mexico. Under the terms of the agreement, the Company paid consideration of USD\$100,000 and issued 5,000,000 common shares. The Company also issued 662,500 common shares as a finder's fee.

The vendors retain a 4% NSR and a 15% Net Profits Interest ("NPI") on minerals recovered from an existing stockpile of mineralized rock and a 3% NSR and 5% NPI on all newly mined mineralization. The Company may repurchase 1% (one-third) of the 3% NSR on all newly mined mineralization for USD\$1,000,000.

- (b) On March 13, 2017, the Company settled \$253,911 in short-term debt and accounts payable through the issuance of 3,627,299 common shares at a price of \$0.07 per share.

Vangold Resources Ltd.

Notes to the Financial Statements

(Stated in Canadian Funds Unless Noted Otherwise)

18. Subsequent Events - *Continued*

- (c) On January 13, March 13 and April 24, 2017, the Company completed three tranches of a private placement of an aggregate of 10,000,000 units at \$0.05 per unit for gross proceeds of \$500,000. Each unit consists of one common share of the Company and one share purchase warrant exercisable at \$0.25 per share for a period of 36 months. The share purchase warrants are subject to accelerated expiry if, at any time after four months and one day after closing, the Company's shares trade at \$0.50 per share or more for ten consecutive trading days. The first tranche on January 13 consisted of 1,828,920 units; the second tranche on March 13 consisted of 4,671,080 units; and the final tranche consisted of 3,500,000 units. The Company paid aggregate finders fees of \$3,750 and issued 75,000 finder's warrants exercisable at \$0.25 per share until January 13, 2020, subject to accelerated expiry upon certain events.
- (d) On March 13, 2017, the Company completed a second private placement by issuing 7,265,000 units at \$0.07 per unit for gross proceeds of \$508,550. Each unit consists of one common share of the Company and one share purchase warrant exercisable at \$0.25 per share for a period of 36 months. The share purchase warrants are subject to accelerated expiry if, at any time after four months and one day after closing, the Company's shares trade at \$0.50 per share or more for ten consecutive trading days. The Company paid finders fees of \$13,405 and issued 191,500 finder's warrants exercisable at \$0.25 per share until March 13, 2020, subject to accelerated expiry upon certain events.
- (e) On April 24, 2017, the Company completed a third private placement by issuing 5,555,556 units at \$0.09 per unit for gross proceeds of \$500,000. Each unit consists of one common share of the Company and one share purchase warrant exercisable at \$0.25 per share for a period of 36 months. The share purchase warrants are subject to accelerated expiry if, at any time after four months and one day after closing, the Company's shares trade at \$0.50 per share or more for ten consecutive trading days. The Company paid finders fees of \$10,500 and issued 116,667 finder's warrants exercisable at \$0.25 per share until April 24, 2020, subject to accelerated expiry upon certain events.