

VANGOLD MINING CORP.

Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

LANCASTER & DAVID

CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the shareholders of Vangold Mining Corp.:

Opinion

We have audited the consolidated financial statements of Vangold Mining Corp. [the "Company"], which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that as of December 31, 2018, the Company has no source of recurring revenue, generates negative cash flows from operating activities, and has an accumulated deficit of \$46,897,999. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Michael David.

/s/ Lancaster & David

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
April 30, 2018

VANGOLD MINING CORP.

Consolidated statements of financial position

As at December 31, 2018 and 2017

(Expressed in Canadian dollars)

	2018	2017
Assets		
Current assets		
Cash	\$ 41,022	\$ 119,009
Amounts receivable	29,948	60,786
Prepaid expenses and deposits	5,434	34,698
Total current assets	76,404	214,493
Non-current assets		
Equipment (Note 4)	6,821	20,896
Deposits (Note 6)	84,000	–
Exploration and evaluation assets (Note 5)	1,539,490	1,548,491
Total assets	\$ 1,706,715	\$ 1,783,880
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Notes 8 and 15)	\$ 429,696	\$ 361,731
Short-term debt (Note 7)	–	45,100
Total liabilities	429,696	406,831
Shareholders' Equity		
Share capital	37,561,359	36,862,832
Contributed surplus	10,613,659	10,063,805
Deficit	(46,897,999)	(45,549,588)
Total shareholders' equity	1,277,019	1,377,049
Total liabilities and shareholders' equity	\$ 1,706,715	\$ 1,783,880

Nature of operations and going concern (Note 1)

Commitments and contingent liabilities (Note 15)

Subsequent events (Note 18)

Approved and authorized for issuance on behalf of the Board on April 30, 2019:

“James Anderson”

James Anderson, Chairman, CEO and Director

“Praveen K. Varshney”

Praveen K. Varshney, CFO and Director

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

VANGOLD MINING CORP.

Consolidated Statements of Loss and Comprehensive Loss
For the year ended December 31, 2018 and 2017
(Expressed in Canadian dollars)

	2018	2017
Expenses		
Depreciation	\$ 6,255	\$ 5,838
Foreign exchange loss	7,842	24,662
Investor relations	95,370	120,864
Management and consulting fees (Note 8)	343,243	529,174
Mineral exploration costs (Note 5)	309,164	360,065
Office and miscellaneous	131,655	109,678
Professional fees	108,065	140,117
Transfer agent and regulatory fees	35,734	42,042
Travel and meals	106,556	203,141
Share based compensation	219,730	213,206
Rent	58,655	49,682
Wages and benefits	52,203	16,876
Total expenses	1,474,472	1,815,345
Loss before other income (expense)	(1,474,472)	(1,815,345)
Other income (expense)		
Gain on sale of investment (Note 16)	135,000	–
Interest income	473	–
Impairment of exploration assets (Note 5)	(9,001)	–
Interest and accretion on short-term debt	–	(6,222)
Loss on disposal of equipment (Note 4)	(2,372)	(4,745)
Gain (loss) on settlement of debt	1,961	(49,425)
Total other income (expenses)	126,061	(60,392)
Comprehensive loss for the year	\$ (1,348,411)	\$ (1,875,737)
Basic and diluted loss per share	\$ (0.04)	\$ (0.11)
Weighted average number of common shares outstanding – basic and diluted	31,396,186	17,442,709

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

VANGOLD MINING CORP.

Consolidated statements of changes in shareholders' equity
(Expressed in Canadian dollars)

	Share capital		Share subscriptions received \$	Contributed Surplus \$	Deficit \$	Total \$
	Number of shares	Amount \$				
Balance, December 31, 2016	4,015,387	34,157,262	50,000	8,953,903	(43,673,851)	(512,686)
Shares issued for cash	15,282,278	1,211,456	(50,000)	839,174	–	2,000,610
Share issuance costs	–	(172,202)	–	57,522	–	(114,680)
Shares issued to settle debt	1,813,650	303,336	–	–	–	303,336
Shares issued to acquire exploration and evaluation assets	4,393,750	1,363,000	–	–	–	1,363,000
Fair value of stock options granted	–	–	–	213,206	–	213,206
Net loss for the year	–	–	–	–	(1,875,737)	(1,875,737)
Balance, December 31, 2017	25,505,065	36,862,832	–	10,063,805	(45,549,588)	1,377,049
Shares issued for cash	8,349,594	730,330	–	319,561	–	1,049,891
Share issuance costs	–	(31,804)	–	10,563	–	(21,241)
Fair value of stock options granted	–	–	–	219,730	–	219,730
Net loss for the year	–	–	–	–	(1,348,411)	(1,348,411)
Balance, December 31, 2018	33,854,659	37,561,358	–	10,613,659	(46,897,999)	1,277,018

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

VANGOLD MINING CORP.

Consolidated statements of cash flows
For the year ended December 31, 2018 and 2017
(Expressed in Canadian dollars)

	2018	2017
Operating activities		
Net loss for the year	\$ (1,348,411)	\$ (1,875,737)
Items not involving cash:		
Depreciation	6,255	5,838
Interest and accretion on short-term debt	–	6,222
Loss on disposal of equipment	2,372	4,745
Loss on settlement of debt	–	49,425
Share-based compensation	219,730	213,206
Write off exploration assets	9,001	–
Changes in non-cash operating working capital:		
Amounts receivable	30,838	(51,462)
Prepaid expenses and deposits	29,264	(33,429)
Accounts payable and accrued liabilities	67,965	66,424
Net cash used in operating activities	(982,986)	(1,614,768)
Investing activities		
Disposition (purchase) of equipment	5,448	(31,479)
Purchase of exploration and evaluation assets	–	(176,490)
Deposit for the acquisition of mineral property	(84,000)	–
Net cash used in investing activities	(78,552)	(207,969)
Financing activities		
Proceeds from issuance of shares and share subscriptions received	1,049,892	2,000,610
Share issuance costs	(21,241)	(114,680)
repayment from short-term debt	(45,100)	–
Net cash provided by investing activities	983,551	1,885,930
Change in cash	(77,987)	63,193
Cash, beginning of year	119,009	55,816
Cash, end of year	\$ 41,022	\$ 119,009
Non-cash investing and financing activities:		
Finders' warrants issued as share issuance costs	10,563	57,522
Shares issued for acquisition of exploration and evaluation assets	–	1,363,000
Shares issued for settlement of debt	–	303,336
Supplemental disclosures:		
Interest paid	–	–
Income taxes paid	–	–

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

VANGOLD MINING CORP.

Notes to the consolidated financial statements
For the years ended December 31, 2018 and 2017
(Expressed in Canadian dollars)

1. Nature of Operations and Going Concern

Vangold Mining Corp. (the “Company” or “Vangold”) is in the business of the acquisition and exploration of exploration and evaluation assets. The Company currently holds exploration and evaluation asset interests located in Canada and Mexico.

The head office and registered records of the Company is located at 1000 – 409 Granville Street, Vancouver, BC, V6C 1T2. 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”.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2018, the Company has no source of recurring revenue, generates negative cash flows from operating activities, and has an accumulated deficit of \$46,897,999 (2017 – \$45,549,588). These factors raise significant doubt about the Company’s ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company.

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

2. Significant Accounting Policies

(a) Statement of Compliance

These consolidated financial statements have been 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 consolidated financial statements have been prepared under the historical cost convention and are presented in Canadian dollars, which is the Company’s presentation currency.

The preparation of these consolidated 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 consolidated financial statements are disclosed in Note 3.

(b) Approval of the Consolidated Financial Statements

The consolidated financial statements of the Company for the year ended December 31, 2018 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 30, 2019.

VANGOLD MINING CORP.

Notes to the consolidated financial statements
For the years ended December 31, 2018 and 2017
(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(c) Basis of Measurement and Principles of Consolidation

These consolidated 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 consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated financial statements include the accounts of the Company and the following subsidiaries:

Subsidiary	Location	Ownership Interest	Status
CanMex Silver S.A. de C.V. ("CanMex")	Mexico	100%	Consolidated
Obras Mineras El Pinguico S.A. de C.V. ("Obras")	Mexico	100%	Consolidated

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 deconsolidated from the date that control ceases.

All intercompany transactions, balances and unrealized gains and losses are eliminated on consolidation.

(d) 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 as follows:

Computer equipment	3 years straight-line
Field Equipment	3 years straight-line
Office equipment	3 years straight-line
Truck	3 years straight-line

(e) 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 the consolidated statement of operations 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.

VANGOLD MINING CORP.

Notes to the consolidated financial statements
For the years ended December 31, 2018 and 2017
(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(f) 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 the consolidated statement of operations 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 the consolidated statement of operations.

(g) 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, 2018 and 2017, the Company did not record any decommissioning liabilities.

(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.

VANGOLD MINING CORP.

Notes to the consolidated financial statements
For the years ended December 31, 2018 and 2017
(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(i) Foreign Currency Translation

The functional currency of the Company and its wholly-owned subsidiaries, CanMex and Obras, is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21 – *The Effects of Changes in Foreign Exchange Rates* (“IAS 21”).

Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the period end date exchange rates. Non-monetary items which are measured using historical cost in a foreign currency are translated using the exchange rate at the date of the transaction..

(j) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the consolidated statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(k) 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 consolidated statement of operations 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. As at December 31, 2018, the Company had 58,422,621 (2017 – 17,626,862) potentially dilutive shares outstanding.

VANGOLD MINING CORP.

Notes to the consolidated financial statements
For the years ended December 31, 2018 and 2017
(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(l) Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the consolidated statement of operations. As at December 31, 2018, and 2017, the Company had no items that represent comprehensive income or loss.

(m) Recent Accounting Pronouncements

New and Amended Standards Adopted

As of January 1, 2018, the Company adopted the new and amended IFRS pronouncements in accordance with the transitional provisions outlined in the respective standards. The Company has adopted these new and amended standards without any significant effect on its financial statements.

IFRS 2 – Share-based Payment (“IFRS 2”)

IFRS 2 was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018. The adoption of this standard did not have a significant impact on the Company's financial statements.

IFRS 9 - Financial Instruments (“IFRS 9”)

The Company adopted all of the requirements of IFRS 9 as of January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

VANGOLD MINING CORP.

Notes to the consolidated financial statements
For the years ended December 31, 2018 and 2017
(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(m) Recent Accounting Pronouncements (Continued)

IFRS 9 - Financial Instruments (Continued)

(i) Classification (Continued)

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash	Amortized cost	Amortized cost
Accounts receivable	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2018 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated other comprehensive income on January 1, 2018.

(ii) Measurement

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. Financial assets and liabilities at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss in the period in which they arise.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss.

VANGOLD MINING CORP.

Notes to the consolidated financial statements
For the years ended December 31, 2018 and 2017
(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(m) Recent Accounting Pronouncements (Continued)

New Standards and Interpretations Not Yet Adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2018, and have not been applied in preparing these consolidated financial statements. The Company has not early-adopted these revised standards and expects no significant effect on the Company's consolidated financial statements when adopted.

Amendments to standard IAS 1 – *Presentation of Financial Statements* ("IAS 1"), and IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors* ("IAS 8")

IAS 1 and IAS 8 were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

New standard IFRS 16 – *Leases* ("IFRS 16")

This new standard replaces IAS 17 Leases and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to the current accounting for finance leases, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting will be substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019. The Company has evaluated the impact of this new guidance on its consolidated financial statements and has estimated that the adoption of the new standard will not result in the recognition of additional right of use assets or lease liabilities.

New interpretation IFRIC 23 - *Uncertainty over Income Tax Treatments* (the "Interpretation")

The Interpretation sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. If no, the entity should reflect the effect of uncertainty in determining its accounting tax position. The Interpretation is effective for annual periods beginning on or after January 1, 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively. The Company does not expect the application of the Interpretation will have a significant impact on the Company's consolidated financial statements.

3. Critical Accounting Estimates and Judgments

The preparation of the consolidated 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 consolidated 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.

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3. Critical Accounting Estimates and Judgments (continued)

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

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.

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 2(i).

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4. Equipment

	Computer Equipment \$	Field Equipment \$	Office Equipment \$	Truck \$	Total \$
Cost:					
Balance, December 31, 2016	–	–	–	–	–
Additions	10,342	1,776	5,100	14,261	31,479
Disposals	(6,577)	–	–	–	(6,577)
Balance, December 31, 2017	3,765	1,776	5,100	14,261	24,902
Additions	–	–	–	–	–
Disposals	–	–	–	(14,261)	(14,261)
Balance, December 31, 2018	3,765	1,776	5,100	–	10,641
Accumulated depreciation:					
Balance, December 31, 2016	–	–	–	–	–
Additions	1,867	3	604	3,364	5,838
Disposals	(1,832)	–	–	–	(1,832)
Balance, December 31, 2017	35	3	604	3,364	4,006
Additions	1,255	625	1,298	3,077	6,255
Disposals	–	–	–	(6,441)	(6,441)
Balance, December 31, 2018	1,290	628	1,902	–	3,820
Carrying amounts:					
As at December 31, 2017	3,730	1,773	4,496	10,897	20,896
As at December 31, 2018	2,475	1,148	3,198	–	6,821

The disposals for the years ended December 31, 2018 and 2017 was due to the disposal of the equipment for \$5,448 (2017 - \$nil) proceeds. As a result, the Company recognized a loss on disposal of equipment of \$2,372 (2017 - \$4,745).

5. Exploration and Evaluation Assets

Exploration and evaluation assets consist of:

	Mexican Silver Belt \$	El Pinguico \$	Rossland \$	Total \$
<i>Acquisition Costs:</i>				
Balance, December 31, 2016	–	–	9,001	9,001
Acquisition costs	360,000	1,179,490	–	1,539,490
Balance, December 31, 2017	360,000	1,179,490	9,001	1,548,491
Impairment	–	–	(9,001)	(9,001)
Balance, December 31, 2018	360,000	1,179,490	–	1,539,490

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5. Exploration and Evaluation Assets (continued)

Mineral exploration costs consist of:

	Year ended December 31, 2018 \$	Year ended December 31, 2017 \$
Environmental survey	24,642	24,497
General exploration	148,624	273,164
Geological	64,466	22,027
Permits	–	8,308
Property tax	–	8,034
Rentals	71,432	24,035
	309,164	360,065

Mexican Silver Belt Property, Mexico

On April 28, 2017, the Company entered into asset acquisition agreements for seven mining claims strategically situated within the high grade Mexican Silver Belt and all within close proximity to the Company's operations office in Guanajuato, Mexico. Under the terms of the agreements, the Company paid \$10,000 and issued 3,125,000 common shares with a fair value of \$343,750. The Company also recognized additional acquisition costs of \$6,250. The vendors retain a 2.5% NSR royalty of which 1.25% (one-half) may be repurchased for \$500,000.

El Pinguico Properties, Guanajuato State, Mexico

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 \$136,240 (USD\$100,000) and issued 5,000,000 common shares with a fair value of \$900,000. The Company also issued 662,500 common shares with a fair value of \$119,250 as a finder's fee. The Company also recognized additional acquisition costs of \$24,000. The vendors retain a 4% NSR and a 15% Net Profits Interest ("NPI") on minerals recovered from an existing surface and underground stockpiles 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.

On October 2017, the Company and OMP executed a Surface Land Purchase Agreement with two private landowners for 302 hectares. The surface land includes the Company's El Pinguico property and provides significant land area for mining infrastructure, development and construction. Under the terms of the agreement, the Company has the option to purchase the property in two years and is committed to pay two annual instalments of \$4,500 with a final payment of \$65,000 on the third anniversary.

Rossland Properties, British Columbia, Canada

South Belt

Vangold acquired 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.

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5. Exploration and Evaluation Assets (continued)

Rossland Properties, British Columbia, Canada (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 was discharged when the short-term debt was repaid in January 2018. Refer to Note 7.

During the year ended December 31, 2018, the Company began the process to relinquish the interests in the Rossland properties as the Company intends to focus operations on the Mexican Silver Belt and El Pingioco properties. As a result, the Company recognized an impairment of \$9,001 during the year ended December 31, 2018.

6. Deposit

During the year ended December 31, 2018 the Company entered into a Letter of intent ("LOI") whereby the Company agreed to acquire all of the issued and outstanding shares of Aventura Gold Ltd. ("Aventura"), a private company which holds an option to acquire 100% of the right, title and interest to a gold property in Guyana ("Tassawini Property"). As consideration for all of the issued and outstanding shares of Aventura, the Company agreed to make cash payments totaling US\$6,000,000, with an initial refundable deposit of US\$50,000 and a further deposit of up to US\$500,000 to third parties on behalf of Aventura, and equity payments of shares valued at \$12,000,000. The equity payment would be structured by way of common shares and non-voting convertible preferred shares which would convert into Vangold common shares. Aventura will retain a 2% NSR over the Tassawini Property, with the opportunity to repurchase up to 1% for a one-time payment of US\$3,000,000.

During the year ended December 31, 2018, the Company advanced \$84,000 (US\$50,000) as payment of the initial refundable deposit.

7. Short-term Debt

During the year ended December 31, 2014, the Company entered into a loan arrangement with two former related parties for loans totaling \$37,000. The loans bore 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. The loans were secured with a mortgage on the Company's Evening Star Property for up to \$50,000. Refer to Note 5.

	\$
Balance – December 31, 2017	45,100
Repayments	(45,100)
Balance – December 31, 2018	–

On March 13, 2017, the Company settled \$196,248 in short-term debt owing to a former director of the Company and a company controlled by a former director of the Company through the issuance of 1,401,771 common shares. On January 19, 2018, the Company repaid short-term debt of \$45,100 owing to a former director of the Company and a company controlled by a former director of the Company.

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8. Related Party Transactions

- (a) For the year ended December 31, 2018, the Company incurred management and consulting fees of \$180,000 (2017 - \$180,000) to the former Chief Executive Officer and a company controlled by the former Chief Executive Officer of the Company. As at December 31, 2018, the amount of \$29,979 (2017 - \$36,556) was owed to the former Chief Executive Officer of the Company and a company controlled by the former Chief Executive Officer of the Company, which is included in accounts payable and accrued liabilities. The amount owed is non-interest bearing, unsecured, and due on demand.
- (b) For the year ended December 31, 2018, the Company incurred management and consulting fees of \$30,000 (2017 - \$52,500) to a company controlled by the former Chief Financial Officer of the Company. As at December 31, 2018, the amount of \$nil (2017 - \$6,000) was owed to the former Chief Financial Officer of the Company, which is included in accounts payable and accrued liabilities. The amount owed is non-interest bearing, unsecured, and due on demand.
- (c) For the year ended December 31, 2018, the Company incurred management and consulting fees of \$12,894 (US\$10,000) (2017 - \$131,579 (US\$102,000)) to a company controlled by a former director of the Company. As at December 31, 2018, the amount of \$nil (2017 - \$75,270 (US\$60,000)) was owed to a company controlled by a former director of the Company, which is included in accounts payable and accrued liabilities. The amount owed is non-interest bearing, unsecured, and due on demand.
- (d) For the year ended December 31, 2018, the Company incurred share-based compensation of \$178,559 (2017 - \$147,685) to directors and officers of the Company.

9. Share Capital

The authorized share capital of the Company 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 with a par value of \$0.2947; and
- Class B Preferred Shares: unlimited preferred shares without par value.

Share issuances for the year ended December 31, 2018:

- (a) On January 18, 2018, the Company completed the second tranche of its private placement of 5,373,300 units at a price of \$0.14 per unit for proceeds of \$752,262. The proceeds were allocated between the common shares \$432,701 and warrants \$319,561 based on their relative fair values. The fair value of the warrants were calculated using the Black-Scholes option pricing model assuming a risk-free rate of 1.98%, no expected dividends or forfeiture rate, volatility of 128%, and an expected life of four years. Each unit consists of one common share of the Company and one non-transferrable warrant entitling the holder to purchase one common share of the Company at a price of \$0.50 for a period of four years from the date of issuance. As part of the financing, the Company paid \$11,417 of finders fees and issued 55,300 finder warrants with a fair value of \$10,563 exercisable at \$0.50 per share for a period of four years from the date of issuance.
- (b) On September 26, 2018, the Company issued 2,976,294 common shares at a price of \$0.10 per share for total proceeds of \$297,629. The Company paid filing fees of \$750 and finders fees of \$9,074.

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9. Share Capital (continued)

Share issuances for the year ended December 31, 2017:

- (a) On January 13, March 13, and April 24, 2017, the Company completed three tranches of a private placement originally announced on December 13, 2016 of an aggregate of 5,000,000 units at \$0.10 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 \$0.50 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 \$1.00 per share or more for ten consecutive trading days. The first tranche on January 13, 2017 consisted of 914,460 units; the second tranche on March 13, 2017 consisted of 2,335,540 units; and the third tranche on April 24, 2017 consisted of 1,750,000 units. The Company paid legal fees of \$16,500, aggregate finders fees of \$3,750, and issued 37,500 finders warrants with a fair value of \$2,465 exercisable at \$0.50 per share until January 13, 2020, subject to accelerated expiry upon certain events. Of the share subscription proceeds received, \$50,000 was received as at December 31, 2016.
- (b) On March 13, 2017, the Company completed a private placement by issuing 3,632,500 units at \$0.14 per unit for gross proceeds of \$508,550. The proceeds were allocated between the common shares (\$302,202) and warrants (\$206,348) based on their relative fair values. The fair value of the warrants were calculated using the Black-Scholes option pricing model assuming a risk-free rate of 0.98%, no expected dividends or forfeiture rate, volatility of 137%, and an expected life of three years. Each unit consists of one common share of the Company and one share purchase warrant exercisable at \$0.50 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 \$1.00 per share or more for ten consecutive trading days. The Company paid legal fees of \$10,000, finders fees of \$13,405, and issued 95,750 finder's warrants with a fair value of \$16,984 exercisable at \$0.50 per share until March 13, 2020, subject to accelerated expiry upon certain events.
- (c) On March 13, 2017, the Company settled \$196,248 of short-term debt and \$57,663 of accounts payable with the issuance of 1,813,650 common shares with a fair value of \$303,336. The settlement resulted in a loss on settlement of debt of \$49,425. The Company paid legal fees of \$8,425 in connection with this issuance.
- (d) On April 24, 2017, the Company completed a private placement by issuing 2,777,778 units at \$0.18 per unit for gross proceeds of \$500,000. The proceeds were allocated between the common shares (\$285,201) and warrants (\$214,799) based on their relative fair values. The fair value of the warrants were calculated using the Black-Scholes option pricing model assuming a risk-free rate of 0.82%, no expected dividends or forfeiture rate, volatility of 137%, and an expected life of three years. Each unit consists of one common share of the Company and one share purchase warrant exercisable at \$0.50 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 \$1.00 per share or more for ten consecutive trading days. The Company paid finders fees of \$10,500, and issued 58,333 finder's warrants with a fair value of \$19,290 exercisable at \$0.50 per share until April 24, 2020, subject to accelerated expiry upon certain events.
- (e) On May 9, 2017, the Company issued 2,500,000 common shares with a fair value of \$900,000 pursuant to the acquisition of a 100% interest in the El Pinguico property, located in Guanajuato State, Mexico. Refer to Note 5. The Company also issued 331,250 common shares with a fair value of \$119,250 to a company controlled by the Chief Executive Officer of the Company as a finder's fee.
- (f) On July 20, 2017, the Company issued 1,562,500 common shares with a fair value of \$343,750 pursuant to the acquisition of the seven mining claims in Mexican Silver Belt. Refer to Note 5.

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9. Share Capital (continued)

- (g) On November 9, 2017, the Company completed the first tranche of its private placement of 3,872,000 units at a price of \$0.14 per unit for proceeds of \$542,080. The proceeds were allocated between the common shares (\$326,376) and warrants (\$215,704) based on their relative fair values. The fair value of the warrants were calculated using the Black-Scholes option pricing model assuming a risk-free rate of 1.55%, no expected dividends or forfeiture rate, volatility of 129%, and an expected life of four years. Each unit consists of one common share of the Company and one non-transferrable warrant entitling the holder to purchase one common share of the Company at a price of \$0.50 for a period of four years from the date of issuance. As part of the financing, the Company paid \$38,955 of finder's fees and issued 203,000 broker warrants with a fair value of \$18,783 with each broker warrant entitling the holder to purchase one common share of the Company at \$0.50 per share for a period of four years from the date of issuance.

10. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Balance, December 31, 2016	–	–
Issued	15,676,862	0.50
Balance, December 31, 2017	15,676,862	0.50
Issued	5,428,600	0.50
Balance, December 31, 2018	21,105,462	0.50

As at December 31, 2018, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
951,960	0.50	January 13, 2020
6,063,790	0.50	March 13, 2020
4,586,112	0.50	April 24, 2020
4,075,000	0.50	November 9, 2021
5,428,600	0.50	January 18, 2022
<u>21,105,462</u>		

11. Stock Options

The Company's Board of Directors approved a 20% fixed stock incentive plan in accordance with the policies of the TSX.V. Subject to TSX.V and shareholder approvals, the aggregate number of common shares that may be reserved, allotted and issued pursuant to the plan shall not exceed 3,392,307 common shares, less the aggregate number of common shares then reserved for issuance pursuant to any other share compensation arrangement. The Board of Directors is authorized to grant options under this plan to directors, officers, consultants or employees.

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11. Stock Options (continued)

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.

A continuity schedule of the incentive stock options is as follows:

	Number of options	Weighted average exercise price \$
Outstanding, December 31, 2017	–	–
Granted	1,950,000	0.40
Outstanding, December 31, 2017	1,950,000	0.40
Granted	2,400,000	0.20
Cancelled	(887,500)	0.40
Outstanding, December 31, 2018	3,462,500	0.24

Additional information regarding stock options outstanding as at December 31, 2018 is as follows:

Range of exercise prices \$	Number of options outstanding	Number of options vested	Weighted average remaining contractual life (years)	Weighted average exercise price \$
0.40	1,062,500	1,062,500	3.64	0.40
0.20	75,000	56,250	4.44	0.20
0.20	2,075,000	1,556,250	4.49	0.20
0.20	250,000	125,000	4.56	0.20
	3,462,500	2,800,000		0.24

During the year ended December 31, 2018 and 2017, the Company recorded share-based compensation expense of \$219,730 (2017 - \$213,206) related to 2,400,000 (2017 - \$1,950,000) options issued. The fair values of share warrants issued during the year ended December 31, 2018 are estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2018	2017
Risk-free interest rate	1.95%	1.67%
Estimated annualized volatility based on comparable companies	127%	134%
Expected life	4.93	4.93
Expected dividend yield	0%	0%

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12. Segmented Information

The Company is primarily engaged in mineral exploration in British Columbia, Canada and Guanajuato, Mexico. The Company operates the mineral exploration of its properties in Mexico through its 100% owned subsidiaries, Obras and CanMex.

	December 31, 2018		
	Canada \$	Mexico \$	Total \$
Equipment	2,475	4,346	6,821
Deposit	84,000	–	84,000
Exploration and evaluation assets	–	1,539,490	1,539,490
Total non-current assets	86,475	1,543,836	1,630,311

	December 31, 2017		
	Canada \$	Mexico \$	Total \$
Equipment	3,730	17,166	20,896
Exploration and evaluation assets	9,001	1,539,490	1,548,491
Total non-current assets	12,731	1,556,656	1,569,387

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:

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. Amounts receivable comprises of GST receivable from the Government of Canada.

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13. Fair Value Measurement (continued)

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, 2018, the Company had cash of \$41,022 to settle current liabilities of \$429,696. Further information relating to liquidity risk is disclosed in Note 1 of these consolidated financial statements.

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, 2018.

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, 2018, the Company is exposed to currency risk as some transactions and balances are denominated in Mexican Pesos, as well as United States 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; and
- To obtain the necessary financing to complete exploration and development of its properties, if and when it is required.

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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, 2018 compared to the year ended December 31, 2017. The Company is not subject to externally imposed capital requirements.

15. Commitments and Contingent Liabilities

During the year ended December 31, 2014, the Company negotiated debt 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, 2018, the balance owing of \$70,501 remains in accounts payable and accrued liabilities. All requests have been met and the agreements are in good standing.

Subsequent to December 31, 2018, the Company received a letter of claim whereby an investor who took part of a private placement of the Company claims the right of restitution of up to \$119,000 claiming that he had entered into an agreement with the Company whereby if the Company issued a private placement at a lower price he would have a right of restitution. Management believes there is no basis for the claim.

16. Gain on Sale of Investment

Under the terms of an agreement dated October 29, 2018, the Company cancelled its carried interest in certain Armenian oil and gas rights ("Carried Interest") and sold 99,900 common shares (the "Shares") of a private company in consideration for \$150,000. In connection with the sale, the Company incurred costs of \$15,000. The Carried Interest and Shares were recorded at a carrying value of \$nil and accordingly, the Company recognized a gain on sale of \$135,000 during the year ended December 31, 2018.

VANGOLD MINING CORP.

Notes to the consolidated financial statements
For the years ended December 31, 2018 and 2017
(Expressed in Canadian dollars)

17. Income Taxes

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

	2018 \$	2017 \$
Statutory enacted rates in Canada	27.00%	26.00%
Expected tax recovery at statutory rate	(364,000)	(488,000)
Adjustments:		
Non-deductible items and other	110,000	138,000
Changes in enacted tax rates	–	(123,000)
Foreign tax rate differences	(6,000)	(10,000)
Change in unrecognized deductible temporary differences	260,000	483,000
Income tax recovery	–	–

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, 2018 \$	Expiry date range	December 31, 2017 \$	Expiry date range
Share issue costs	129,000	2021 to 2022	138,000	2021
Non-capital loss carry forward:	9,242,000	2027 to 2038	8,584,000	2027 to 2037
Exploration and evaluation and oil and gas assets	11,473,000	No Expiry	11,189,000	No Expiry
Equipment	336,000	No Expiry	336,000	No Expiry
Marketable securities	166,000	No Expiry	166,000	No Expiry

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

18. Subsequent Events

- On March 11, 2019, the Company consolidated its common shares on the basis of a one post-consolidated common share for every two pre-consolidated common shares. All share and per share amounts have been retroactively revised to reflect the consolidation.
- On March 28, 2019, the Company completed the first tranche of its private placement of 6,700,000 units at a price of \$0.05 per unit for proceeds of \$335,000. Each unit consists of one common share of the Company and one non-transferrable warrant entitling the holder to purchase one common share of the Company at a price of \$0.10 for a period of two years from the date of issuance. As part of the financing, the Company paid \$9,450 of finder's fees.