

Fusion Gold Ltd
(A Capital Pool Company)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED

Three and nine months ended September 30, 2018 and 2017

Reader's Note

These unaudited condensed interim financial statements of Fusion Gold Ltd have been prepared by management and have not been reviewed by the Company's auditors.

FUSION GOLD LTD.

(CAPITAL POOL COMPANY)

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2018 AND DECEMBER 31, 2017

(Expressed in Canadian dollars - Unaudited)

	Note	September 30, 2018 \$	December 31, 2017 \$
ASSETS			
Cash		336,039	5,824
Accounts receivable		1,768	-
Total assets		337,807	5,824
LIABILITIES			
Current			
Accounts payable and accrued liabilities	6	25,653	3,494
Long-term			
Note payable	6	40,000	40,000
Total liabilities		65,653	43,494
SHAREHOLDERS' EQUITY			
Share capital	4	320,477	1
Share-based payment and warrants reserve	4	21,891	-
Deficit		(70,214)	(37,671)
Total shareholders' equity		272,154	(37,670)
Total liabilities and shareholders' equity		337,807	5,824

Approved by the Board of Directors on October 24, 2018

*“January Vandale”**Director**“David De Witt”**Director*

The accompanying notes form an integral part of these condensed interim financial statements.

FUSION GOLD LTD.

(CAPITAL POOL COMPANY)

CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(Expressed in Canadian dollars - Unaudited)

	Note	Three months ended September 30, 2018 \$	Three months ended September 30, 2017 \$	Nine months ended September 30, 2018 \$	Nine months ended September 30, 2017 \$
Operating and Administrative Expenses					
Listing and filing fees		7,632		7,632	
Professional fees		1,356	-	7,019	-
Share-based payment	4	11,274		11,274	
Other general and administrative fees		6,043	12	6,618	76
		26,305		32,543	
Net loss and comprehensive loss for the period		26,305	12	32,543	76
Net loss per share					
Basic and diluted		0.13	12.00	0.49	76.00
Weighted average number of common shares outstanding – basic and diluted	4	195,652	1	65,934	1

The accompanying notes form an integral part of these condensed interim financial statements.

FUSION GOLD LTD.

(CAPITAL POOL COMPANY)

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(Expressed in Canadian dollars - Unaudited)

	Note	Share capital (Number of shares – fully paid)	Share capital \$	Share-based payment and warrants reserve \$	Deficit \$	Total \$
Balance, December 31, 2016		1	1	-	(34,127)	(34,126)
Net loss for the period		-	-	-	(76)	(76)
Balance, September 30, 2017		1	1	-	(34,203)	(34,202)
Balance, December 31, 2017		1	1	-	(37,671)	(37,670)
Private placement	4	4,200,000	210,000	-	-	210,000
Initial Public Offering (“IPO”) (net of issue costs)	4	2,000,000	121,094	-	-	121,094
Warrants issued to agents in conjunction with IPO	4 & 5		(10,617)	10,617	-	-
Share-based payments	4	-	-	11,274	-	11,274
Share repurchase	4	(1)	(1)	-	-	(1)
Net loss for the period		-	-	-	(32,543)	(32,543)
Balance, September 30, 2018		4,200,000	320,477	21,891	(70,214)	272,154

The accompanying notes form an integral part of these condensed interim financial statements.

FUSION GOLD LTD.

(CAPITAL POOL COMPANY)

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(Expressed in Canadian dollars - Unaudited)

	Note	Three months ended September 30, 2018 \$	Three months ended September 30, 2017 \$	Nine months ended September 30, 2018 \$	Nine months ended September 30, 2017 \$
Cash flows provided by (used in)					
Operating Activities					
Net loss		(26,305)	(12)	(32,543)	(76)
Add back: Share-based compensation	4	11,274		11,274	
Changes in non-cash working capital:		(15,031)		(21,269)	
Accounts payable and accrued liabilities		22,851	-	22,159	45
Accounts receivable		(1,074)	-	(1,768)	-
		21,777	-	20,391	45
Financing activities					
Proceeds received from private placement	4	-	-	210,000	-
	4				
Proceeds from IPO, net of share issuance costs		142,272	-	121,094	-
Share repurchase	4	-	-	(1)	-
		142,272	-	331,093	-
Increase (decrease) in cash for the period		149,018	(12)	330,215	(31)
Cash - beginning of period		187,021	6,304	5,824	6,323
Cash - end of period		336,039	6,292	336,039	6,292

Non-cash investing and financing activities

Warrants issued to Agents in conjunction with IPO		10,617	-	10,617	-
---	--	--------	---	--------	---

The accompanying notes form an integral part of these condensed interim financial statements.

FUSION GOLD LTD.

(CAPITAL POOL COMPANY)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(Unaudited)

Expressed in Canadian dollars unless otherwise stated

1. Nature of operations

Nature of operations

Fusion Gold Ltd. (the "Company" or "Fusion") was incorporated under the British Columbia Business Corporations Act on April 16, 2007. The Company is classified as a Capital Pool Company as defined in the TSX Venture Exchange (the "Exchange") Policy 2.4. The principal business of the Company is the identification and evaluation of a Qualifying Transaction ("QT") and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities.

On July 9, 2018, the Company filed a final prospectus ("the Prospectus") in relation to the offering of 2,000,000 common shares of the Company. On September 21, 2018, the Company completed an Initial Public Offering ("IPO") and issued 2,000,000 common shares of Fusion at a purchase price of \$0.10 for gross proceeds of \$200,000 (Note 4). The Company's shares commenced trading on the Exchange on September 25, 2018 under the symbol FML.P.

The head office, principal address and registered office of the Company are located at Suite 1400, 400 Burrard Street, Vancouver, British Columbia, V6C 3A6.

2. Basis of presentation and significant accounting policies

Statement of Compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed interim financial statements do not include all the necessary annual disclosures in accordance with IFRS, and should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2017.

The accounting policies followed in these condensed interim financial statements are the same as those applied in the Company's most recent audited annual financial statements for the year ended December 31, 2017. In addition, in the third quarter 2018, the Company issued stock options for the first time (in accordance with the terms of its stock option plan), as well as warrants upon close of the IPO. The Company has accounted for these stock options and warrants in accordance with the following policy:

Share-based compensation

The fair value of the share-based compensation awards is determined at the date of grant using the Black-Scholes option pricing model. The fair value of the award is charged to the Statement of Income (Loss) and Comprehensive Income (Loss) (unless they are considered to be share issuance costs in which case they are booked as a reduction to share capital) and credited to the Share-based payment and warrants reserve (within Shareholders' Equity on the Statement of Financial Position) rateably over the vesting period, after adjusting for the number of awards that are expected to vest. Expenses recognized for forfeited awards are reversed. For awards that are cancelled, any expense not yet recognized is recognized immediately in the Statement of Income (Loss) and Comprehensive Income (Loss). Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified over the original vesting period. In addition, an expense is recognized for any modification which increases the total fair value of the share-based payment arrangement as measured at the date of modification, over the remainder of the vesting period.

FUSION GOLD LTD.

(CAPITAL POOL COMPANY)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(Unaudited)

Expressed in Canadian dollars unless otherwise stated

Basis of Presentation

These condensed interim financial statements have been prepared on a historical cost basis, except for any financial assets and liabilities held at fair value. The condensed interim financial statements are presented in Canadian Dollars, which is also the Company's functional currency.

Changes in accounting standards

Effective January 1, 2018, the Company adopted IFRS 15, Revenue from Contracts with Customers and the amendments to IFRS 2, Share-Based Payments. The adoption of IFRS 15 and the amendments to IFRS 2 did not have an impact on the Company's financial statements.

Leases

In January 2016, the IASB issued IFRS 16 – Leases ("IFRS 16") which replaces IAS 17 – Leases and its associated 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 current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company has assessed the impact of IFRS 16 and has concluded that it is not expected to have a significant impact on its financial statements.

3. Significant Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Management believes the estimates and assumptions used in these condensed interim financial statements are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

The Company's significant accounting judgments and estimates are consistent with those applied in the audited annual financial statements for the year ended December 31, 2017, with the exception of the following additions:

Estimations:

The fair value of share-based compensation issued.

Judgments:

The evaluation of the Corporation's ability to continue as a going concern.

4. Share Capital and Reserves

a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value.

b) Issued and Outstanding:

FUSION GOLD LTD.

(CAPITAL POOL COMPANY)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(Unaudited)

Expressed in Canadian dollars unless otherwise stated

On September 21, 2018, the Company completed an IPO and sold 2,000,000 common shares of Fusion at a price of \$0.10 for gross proceeds of \$200,000. Share issuance costs of \$78,906 were incurred recorded as a reduction to equity. In addition, upon closing of the IPO, the Company issued 200,000 non-transferable warrants to Canaccord Genuity Corp (the “Agent”), entitling them to purchase 200,000 common shares of the Company sold under the Offering at a price of \$0.10 per share for a period of two years from the date of closing the offering. The Company recognized the fair value of \$10,617 of the warrants as share issuance costs, using the Black Scholes Option Pricing Model (note 5).

On February 7, 2018, certain directors and officers of the Company subscribed for 4,200,000 common shares of Fusion at \$0.05 per share, for a total receipt of \$210,000. No costs were incurred in connection with this share issuance. Should the Company fail to complete a QT on or before two years from the date the Company listed on the Exchange (note 1), these shares will be cancelled and as such are considered contingently returnable; as such all such shares have been excluded from the calculation of basic earnings per share. Also, on February 7, 2018, the Company repurchased the one share previously outstanding at face value and at the same time reduced its issued and outstanding common shares accordingly by one share.

As at September 30, 2018, the Company had 6,200,000 common shares issued and outstanding. Of these common shares, 4,285,000 are held in escrow pursuant to an escrow agreement. Under the escrow agreement, 10% of the escrowed common shares will be released from escrow on the date of the issuance of the Final Exchange Bulletin (as defined by Exchange policy 2.4) (the “Initial Release”) upon completion of a QT, and an additional 15% will be released every six months following the Initial Release over a period of thirty-six months.

c) Stock Options

The Company has an incentive stock option plan (the “Option Plan”) whereby the Company may grant stock options to eligible employees, officers, directors and consultants at an exercise price, expiry date, and vesting conditions to be determined by the board of directors. The maximum expiry term is ten years from the grant date. All options are equity settled. The Option Plan provides for the issuance of up to 10% of the Company’s issued and outstanding common shares as at the date of the grant. Any common shares acquired pursuant to the exercise of options prior to the completion of a QT must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued.

Pursuant to the completion of the IPO, September 21, 2018, the Company issued 150,000 stock options with an exercise price of \$0.10; no stock options had previously been issued. All stock options issued vested upon grant and expire five years from the date of grant. The following weighted average assumptions were used to estimate the grant date fair value using the Black Scholes model:

	September 21, 2018
Expected dividend yield	0.00%
Expected stock price volatility	100%
Risk-free interest rate	2.35%
Expected life of the options	5.00 years
Grant date fair value per option	\$0.075

The total share-based payment recognized by the Company during the three months and nine months ended September 30, 2018 was \$11,274, (2017 - nil).

As at September 30, 2018, all 150,000 options remain outstanding and exercisable and have a remaining life of 4.98 years.

5. Warrants

Pursuant to the completion of the IPO, on September 21, 2018, the Company issued the Agent a total of 200,000 non-transferable share purchase warrants at an exercise price of \$0.10 per share for a period of two years from the date of closing the offering. All warrants are exercisable upon issuance as there are no vesting conditions attached. Not more than 50% of the common shares of the Company which can be acquired by the Agent may be sold by the Agent prior to the Completion of the Qualifying Transaction. The remaining 50% may be sold after the Completion of the Qualifying Transaction.

FUSION GOLD LTD.

(CAPITAL POOL COMPANY)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(Unaudited)

Expressed in Canadian dollars unless otherwise stated

The following weighted average assumptions were used to estimate the grant date fair value of these warrants using the Black Scholes model:

	September 21, 2018
Expected dividend yield	0.00%
Expected stock price volatility	100%
Risk-free interest rate	2.17%
Expected life of the warrants	2.00 years
Grant date fair value per warrant	\$0.053

The total value of the warrants of \$10,617 was recorded as a share issuance cost during the third quarter 2018. All warrants were outstanding and exercisable as at September 30, 2018 and had a remaining life of 1.98 years.

6. Related party transactions

Related parties of the Company include the members of the Board of Directors, officers of the Company and close family members of these individuals. In addition, companies controlled by these individuals are also related parties of Fusion. The Company's Chief Executive Officer, January Vandale, and some of her close family members, as well as other related parties of Fusion, purchased 85,000 common shares of the Company in the IPO which closed on September 21, 2018 (note 4). These shares were placed under escrow and are to be released from escrow in tranches over 36 months commencing from the date of the Company receiving the Final Exchange Bulletin upon completion of a QT.

On September 21, 2018, the Company issued 150,000 stock options to directors and officers of the Company. A total expense was recognized in relation to these options of \$11,274 in the third quarter 2018 (note 4).

In 2007, Pathway Capital Ltd ("Pathway"), a company where the shareholder and director of Fusion, is a shareholder, director, and officer, loaned Fusion \$40,000. This loan is non-interest-bearing, has no fixed repayment date and no covenants attached to it. The full amount was outstanding as of September 30, 2018 and December 31, 2017. In addition, on July 1, 2018, Fusion entered into an administrative services agreement with Pathway to pay for rent and other administrative services; as at September 30, 2018, Fusion had accrued \$6,000 in relation to such services. During the period from incorporation until December 31, 2017, Pathway paid other general and administration expenses on behalf of Fusion; no such payments were made by Pathway in the three and nine months ended September 30, 2018 (2017 - \$nil and \$45 respectively). Fusion records this amount as an amount payable to Pathway; as at September 30, 2018 and December 31, 2017, Fusion has an accounts payable balance of \$494 owing to Pathway.

Key management personnel consists of officers and directors of the Company. No compensation was paid to key management personnel during the three and nine months ended September 30, 2018 or 2017.

7. Financial Instruments

As at September 30, 2018, the Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and the long-term loan. The Company classifies cash and receivables as financial assets measured at amortized cost. The Company classifies accounts payable and accrued liabilities and the long-term loan as financial liabilities held at amortized cost.

The fair value of these financial instruments is equal to their carrying value unless otherwise noted.

The risk exposure arising from these financial instruments is summarized as follows:

- (a) Credit risk

FUSION GOLD LTD.

(CAPITAL POOL COMPANY)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(Unaudited)

Expressed in Canadian dollars unless otherwise stated

The majority of the Company's financial assets is cash. The Company holds all cash balances with a highly rated Canadian financial institution, therefore minimizing the Company's credit risk.

(b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's ability to continue to meet its liabilities when due, beyond the current cash balance, is dependent on future support of shareholders through public equity offerings (note 1).

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or value of its holdings or financial instruments. The Company's activities have only been transacted in Canadian dollars since incorporation and until September 30, 2018; in addition, the Company carries no interest-bearing debt. As such, the Company has minimal market risks facing it at present.

8. Capital management

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the identification and evaluation of a QT and continue as a going concern. The Company considers capital to be all accounts in equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Additional funds may be required to finance the Company's QT. In accordance with Policy 2.4 of the Exchange, the proceeds raised from the sale of securities may only be used to identify and evaluate assets or businesses, and obtain shareholder approval for a QT, with the exception that up to the lesser of 30% of the gross proceeds realized by the Company in respect of the sale of its securities, or \$210,000, may be used for purposes other than such identification and evaluation of businesses or assets. These restrictions apply until completion of a QT by the Company as defined under Policy 2.4 of the Exchange. The Company is required to complete its QT on or before two years from the date the Company receives regulatory approval to list its shares on the Exchange.