

Gitennes Exploration Inc.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017



Independent auditor's report

To the Shareholders of Gitennes Exploration Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Gitennes Exploration Inc. and its subsidiary (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2018 and 2017;
- the consolidated statements of changes in shareholders' equity (deficiency) for the years then ended;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers LLP

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Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

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 audit 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 other information, 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 the consolidated financial statements in accordance with IFRS, 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 the 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Eric Talbot.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 24, 2019

Management's Responsibility for Financial Reporting

The consolidated financial statements of Gitennes Exploration Inc. have been prepared by, and are the responsibility of, the Company's management. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgement based on information currently available.

Management has developed and is maintaining a system of internal controls to obtain reasonable assurance that the Company's assets are safeguarded, transactions are authorized, and financial information is reliable.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities. The Audit Committee reviews the results of the annual audit and the annual consolidated financial statements prior to their submission to the Board of Directors for approval.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP and their report outlines the scope of their examination and gives their opinion on the consolidated financial statements.

"Ken Booth"

Ken Booth
President

April 24, 2019

Gitennes Exploration Inc.

Consolidated Balance Sheets

As at December 31

Canadian Funds

ASSETS	2018	2017
Current		
Cash	\$ 41,126	\$ 403,678
Accounts receivable	11,262	17,070
Prepaid expenses and other	5,222	5,728
	<u>57,610</u>	<u>426,476</u>
Reclamation Bond	25,500	-
Due from AndeanGold Ltd. (Note 5)	1,000	1,000
Equipment	3,896	4,870
	<u>\$ 88,006</u>	<u>\$ 432,346</u>
<hr/>		
LIABILITIES		
Current		
Trade payables and accrued liabilities (Note 6)	\$ 195,947	\$ 118,736
Long-Term Debt – Related Parties (Note 6)	42,500	42,500
Loan Payable – Related Party (Note 6)	-	50,000
	<u>238,447</u>	<u>211,236</u>
<hr/>		
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share Capital (Note 4a)	33,478,059	33,313,390
Contributed Surplus	1,766,086	1,704,905
Deficit	<u>(35,394,586)</u>	<u>(34,797,185)</u>
	<u>(150,441)</u>	<u>221,110</u>
	<u>\$ 88,006</u>	<u>\$ 432,346</u>

Nature of Operations and Going Concern (Note 1)

ON BEHALF OF THE BOARD:

"Ken Booth", Director
Ken Booth

"Robert Matthews", Director
Robert Matthews

Gitennes Exploration Inc.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

For the Years Ended December 31, 2018 and 2017

Canadian Funds

	Share Capital (Note 4a)	Contributed Surplus	Deficit	Total
Balance – December 31, 2016	\$ 32,202,417	\$ 1,481,778	\$ (33,727,998)	\$ (43,803)
Private placement - units	468,460	-	-	468,460
Private placement - units	386,667	77,333	-	464,000
Share issuance costs	(49,102)	-	-	(49,102)
Finders' warrants issued	(14,623)	14,623	-	-
Flow-through premium	(39,867)	-	-	(39,867)
Warrants exercised	15,000	-	-	15,000
Shares issued for property (Note 5)	330,000	-	-	330,000
Shares issued for property finder's fee (Note 5)	14,438	-	-	14,438
Share-based compensation (Note 4c)	-	131,171	-	131,171
Comprehensive loss for the year	-	-	(1,069,187)	(1,069,187)
Balance – December 31, 2017	33,313,390	1,704,905	(34,797,185)	221,110
Warrants exercised	80,000	-	-	80,000
Shares issued for properties (Note 5)	76,500	-	-	76,500
Shares issued for property finders' fees (Note 5)	8,169	-	-	8,169
Share-based compensation (Note 4c)	-	61,181	-	61,181
Comprehensive loss for the year	-	-	(597,401)	(597,401)
Balance – December 31, 2018	\$ 33,478,059	\$ 1,766,086	\$ (35,394,586)	\$ (150,441)

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

Gitennes Exploration Inc.

Consolidated Statements of Comprehensive Loss

For the Years Ended December 31

Canadian Funds

	2018	2017
Expenses		
Accounting and audit (Note 6)	\$ 57,338	\$ 58,125
Consulting	4,000	20,000
Depreciation	974	749
Exploration and evaluation (Note 5)	353,899	779,784
Interest on long-term debt (Note 6)	4,510	8,391
Legal	4,572	18,992
Management fees (Note 6)	60,000	60,000
Office, rent, and miscellaneous	20,098	13,823
Share-based compensation (Note 4c)	61,181	131,171
Shareholder information	9,047	12,902
Stock exchange and filing fees	12,652	15,669
Transfer agent fees	4,621	6,194
Travel and accommodation	4,509	3,254
Loss before Other Items	(597,401)	(1,129,054)
Interest income (Note 5)	-	20,000
Loss before Income Taxes	(597,401)	(1,109,054)
Deferred income tax recovery (Notes 4a and 9)	-	39,867
Comprehensive Loss for the Year	\$ (597,401)	\$ (1,069,187)
Loss per Share – Basic and Diluted	\$ (0.01)	\$ (0.01)
Weighted-Average Number of Shares		
Outstanding – Basic and Diluted	84,879,558	73,591,069

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

Gitennes Exploration Inc.

Consolidated Statements of Cash Flows

For the Years Ended December 31

Canadian Funds

	2018	2017
Cash Flows from Operating Activities		
Loss for the year	\$ (597,401)	\$ (1,069,187)
Items not involving cash		
Deferred income tax recovery	-	(39,867)
Shares issued for properties	76,500	330,000
Shares issued for property finders' fees	8,169	14,438
Share-based compensation	61,181	131,171
Depreciation	974	749
Changes in non-cash working capital items		
Accounts receivable	5,808	(15,630)
Prepaid expenses and other	506	1,288
Trade payables and accrued liabilities	77,211	87,668
	<u>(367,052)</u>	<u>(559,370)</u>
Cash Flows from Investing Activities		
Purchase of equipment	-	(5,619)
Reclamation bond	(25,500)	-
	<u>(25,500)</u>	<u>(5,619)</u>
Cash Flows from Financing Activities		
Share capital issued for cash	80,000	947,460
Share issuance costs	-	(49,102)
Loan payable – related party	(50,000)	(2,466)
	<u>30,000</u>	<u>895,892</u>
Change in Cash Position	(362,552)	330,903
Cash Position - Beginning of Year	403,678	72,775
Cash Position - End of Year	\$ 41,126	\$ 403,678
Supplemental Schedule of Non-Cash Financing Transactions		
Finders' warrants issued	\$ -	\$ 14,623
Flow-through premium liability	\$ -	\$ 39,867
Shares issued for properties	\$ 76,500	\$ 330,000
Shares issued for property finders' fees	\$ 8,169	\$ 14,438
Supplemental Cash Flow Information		
Interest paid	\$ 4,510	\$ 8,391
Income taxes paid	\$ -	\$ -

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

Gitennes Exploration Inc.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Canadian Funds

1. Nature of Operations and Going Concern

Gitennes Exploration Inc. ("the Company") was incorporated in the province of Ontario and effective February 4, 2017 completed a continuance into British Columbia. Its principal office is located at 1010 - 789 West Pender Street, Vancouver, British Columbia. The Company is currently exploring two properties in British Columbia and has a royalty interest in a mineral property located in Peru. All of these properties are in the exploration stage and it has not yet been determined whether they contain economic reserves.

These consolidated financial statements have been prepared on a 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 for the foreseeable future. Several adverse conditions and material uncertainties cast significant doubt upon the going concern assumption. The business of mining and exploration involves a high degree of risk and there can be no assurance that future exploration and development of its properties will result in profitable mining operations or royalty payments to the Company. The Company has no ongoing source of revenue and will require cash to maintain its mineral interests and to meet its administrative overhead. As at December 31, 2018, the Company had a working capital deficiency of \$138,337 and an accumulated deficit of \$35,394,586.

The ability of the Company to continue as a going concern is dependent upon its ability to realize on its assets or raise additional financing. Specifically, the Company needs to collect on its convertible debenture from AndeanGold Ltd. (*Note 5*), and realize proceeds from, or from the sale of, its royalty interest on the Urumalqui project (*Note 5*), and/or obtain the necessary financing to complete the development of its mineral properties and to fund future corporate and administrative expenses. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future. These financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern, and such adjustments could be material.

2. Significant Accounting Policies

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company's board of directors approved these consolidated financial statements for issue on April 24, 2019.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Castle Keep Ltd. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over its subsidiary. Subsidiaries are fully consolidated from the date on which control is obtained. All significant intercompany balances and transactions are eliminated upon consolidation.

Gitennes Exploration Inc.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Canadian Funds

2. Significant Accounting Policies - *continued*

Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except in respect of items measured at fair value.

Foreign currency translation

The presentation currency of the Company and the functional currency of the Company and its subsidiary is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at rates approximating those in effect at the time of the transactions. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Translation gains and losses are reflected in income (loss) for the year.

Cash

Cash comprises cash balances held in current operating bank accounts that are subject to an insignificant risk of change in value, having original terms to maturity of 90 days or less when acquired.

Exploration and evaluation

Exploration and evaluation expenditures include the cost of acquiring licenses and expenditures incurred to explore and evaluate properties and such costs are expensed in the period incurred. Property acquisition costs are capitalized only to the extent that such costs can be directly attributed to an area of interest where it is considered likely to be recoverable by future exploitation or sale. Development costs relating to specific properties are capitalized once management has made a development decision. From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to options being exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not accrued. Option payments are recorded as exploration and evaluation expenses or recoveries when the payments are made or received.

Restoration provisions

The Company recognizes liabilities for legal or constructive obligations associated with the reclamation or rehabilitation of mineral properties that the Company is required to settle. The Company recognizes the present value of liabilities for such obligations in the period in which they occur or in the period in which a reasonable estimate of such costs can be made. The obligation is recorded as a liability with a corresponding charge to operations. The Company has determined that it had no restoration obligations as at December 31, 2017 and 2018.

Equipment

Equipment is recorded at cost less accumulated depreciation, which is calculated on a declining balance basis using an annual rate of 20%. Equipment is reviewed for impairment if there is an indication that the carrying amount may not be recoverable.

Gitennes Exploration Inc.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Canadian Funds

2. Significant Accounting Policies - *continued*

Share-based compensation

The Company uses the fair value method whereby it recognizes share-based compensation costs over the vesting periods for all stock option grants and direct awards of stock. Any consideration paid by the option holders to purchase shares is credited to capital stock. The Company uses the Black-Scholes Option-Pricing Model to estimate the fair value of its share-based compensation. The fair value of each grant is measured at the grant date and where vesting is not immediate, each tranche is recognized on a graded-vesting basis over the vesting period.

Significant accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of expenses during the year. Actual amounts could differ from these estimates.

The Company's most significant accounting estimates relate to the determination of assumptions used to estimate the fair value of its convertible debenture receivable. Judgment is involved in the determination of functional currency.

The Company considered all current available information to estimate the timing and amounts of future cash payments to be received on its convertible debenture receivable and applied a discount rate to estimate its fair value at initial recognition. Subsequent estimates of future cash flows indicated that the carrying value of the receivable exceeded the present value of the estimated future cash flows and accordingly, this receivable is currently being carried at a nominal value. Actual payment dates and amounts may vary from these estimates and any resulting differences will be recorded as future information becomes available.

The Company has considered all primary and secondary indicators under IFRS and determined that the functional currency of its subsidiary is the Canadian dollar. While transactions conducted outside of Canada are typically denominated in the U.S. dollar, the subsidiary has no revenues from operations, very limited transactional activity, and is entirely dependent upon the Company for financing of its operations, which are largely determined in Canada.

Share capital

The proceeds from the exercise of stock options or warrants together with amounts previously recorded on the grant date or issue date are recorded as share capital. Share capital issued for non-monetary consideration is recorded at the fair value of the non-monetary consideration received, or at the fair value of the shares issued if the fair value of the non-monetary consideration cannot be measured reliably, on the date of issue. The Company uses the residual value approach in respect of unit offerings, whereby the amount assigned to the warrant is the excess of the unit price over the trading price of the Company's shares at the date of issuance, if any, to a maximum of the fair value of the warrant determined using the Black-Scholes Option-Pricing Model.

Gitennes Exploration Inc.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Canadian Funds

2. Significant Accounting Policies - *continued*

Flow-through shares

The Company will from time to time issue flow-through common shares to finance a portion of its Canadian exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into: i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon completing the qualifying expenditures, the Company derecognizes the liability to the extent the qualifying resource expenditures have been made as of that date and recognizes a deferred tax recovery for the amount of the tax reduction that will be renounced to the shareholders that relates to the qualifying expenditures made.

Income taxes

Current tax expense is calculated using income tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is accounted for using the liability method, which recognizes differences between the carrying amounts of assets and liabilities in the financial statements and the amounts used for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is not recorded.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability will be settled or the asset realized, based on income tax rates and income tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities due to a change in tax rates is recognized in the period that the substantive enactment occurs. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Earnings (loss) per share

Earnings (loss) per share is computed using the weighted-average number of common shares outstanding during the year. The Company uses the treasury stock method to calculate diluted earnings per share, which assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The effect on loss per share of outstanding convertible securities is anti-dilutive.

Adoption of new accounting standard

On January 1, 2018, the Company adopted IFRS 9 – *Financial Instruments*, which replaces IAS 39 *Financial Instruments – Recognition and Measurement*. The new standard provides guidance that is based on the Company's business model for managing its financial instruments, which includes the purpose for which the financial instruments were acquired as well as their contractual cash flow characteristics.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Canadian Funds

2. Significant Accounting Policies – *continued*

Adoption of new accounting standard – *continued*

IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (“FVTOCI”) and fair value through profit or loss (“FVTPL”). It also includes a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own-credit risk in other comprehensive income for any liabilities designated as FVTPL.

Determination of the classification of financial instruments is made at initial recognition and reclassifications are made only upon the Company changing its business model for managing its financial instruments. Financial assets are derecognized when they mature or are sold, and substantially all of the risks and rewards of ownership have been transferred. Equity instruments that are held for trading are classified as FVTPL. Other equity instruments are carried at FVTPL unless upon initial recognition the Company makes an irrevocable election to designate them as FVTOCI.

The Company holds shares in AndeanGold Ltd. (*Note 5*), which are being carried at a nominal value. Upon adoption of IFRS 9 on a retrospective basis, the Company made an irrevocable election to measure these marketable securities at FVTOCI, therefore, there was no impact on the carrying values or equity as at January 1, 2018 and no measurement differences due to adopting the new standard. Accordingly, the Company was not required to retroactively restate the comparative periods or to make an adjustment to deficit or accumulated other comprehensive income at January 1, 2018.

As a result of adopting IFRS 9, the Company’s accounting policy for financial instruments has been modified to include the following:

Financial assets

FVTPL

Financial assets classified as FVTPL are initially recognized at fair value with transaction costs being expensed in the period incurred. Realized gains and losses recognized upon derecognition and unrealized gains and losses arising from changes in the fair value of the financial assets are included in profit or loss in the period in which they arise.

FVTOCI

Investments in equity instruments classified as FVTOCI are initially recognized at fair value plus transaction costs. Unrealized gains and losses arising from changes in fair value are recognized in other comprehensive income with no subsequent reclassification to profit or loss upon derecognition. Realized gains and losses recognized upon derecognition remain within accumulated other comprehensive income.

Amortized cost

A financial asset is measured at amortized cost if the objective of the Company’s business model is to hold the instrument for the collection of contractual cash flows, which are comprised solely of payments of principal and interest. Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. Impairment losses are included in profit or loss in the period the impairment is recognized.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Canadian Funds

2. Significant Accounting Policies - *continued*

Adoption of new accounting standard – *continued*

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

Financial liabilities

The Company's financial liabilities include trade payables and accrued liabilities and are measured at amortized cost.

The Company completed an assessment of its financial instruments as at January 1, 2018. The following table summarizes the original classification under IAS 39 and the new classification under IFRS 9:

	IAS 39	IFRS 9
Cash	Amortized cost	Amortized cost
Marketable securities (nominal value)	Available-for-sale	FVTOCI
Accounts receivable	Amortized cost	Amortized cost
Due from AndeanGold Ltd. (nominal value)	Amortized cost	Amortized cost
Trade payables	Amortized cost	Amortized cost
Long-term debt – related parties	Amortized cost	Amortized cost
Loan payable – related party	Amortized cost	Amortized cost

Recent pronouncements

IFRS 16 – *Leases*

In January 2016, the IASB issued IFRS 16 – *Leases*, according to which all leases will be presented on the balance sheet of lessees, except those that meet the limited exception criteria. Respectively, rent expense will be removed and replaced by the recording of depreciation and finance expenses. The standard is effective for annual periods beginning on or after January 1, 2019. The Company has determined that there will be no impact on its consolidated financial statements upon adopting this standard.

3. Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, reclamation bond, due from AndeanGold Ltd., trade payables, long-term debt – related parties, and loan payable – related party. Cash, accounts receivable, reclamation bond, and trade payables are carried at amortized cost with carrying values that approximate fair value due to their short-term nature.

The Company has lodged a reclamation bond with the government of British Columbia in respect of its Snowbird project. The bond is non-interest bearing and repayable upon the Company meeting the terms and conditions of its permit including any reclamation requirements resulting from exploration programmes.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Canadian Funds

3. Financial Instruments - continued

The carrying value of the due from AndeanGold Ltd., which is in the form of a convertible debenture receivable, has been written down to a nominal balance.

Long-term debt – related parties consists of administrative and accounting fees due to officers of the Company. The amounts bear interest at 8% and repayment has been waived until 2020. Loan payable – related party carried interest at 10%, had a maturity date of July 1, 2019, and was repaid in full in March 2018. These amounts are carried at amortized cost with their carrying values considered to approximate their fair values.

All of the Company's cash is held in accounts at major Canadian financial institutions with investment grade ratings – management considers the credit risk associated with its cash balances to be low. Due to the carrying value and nature of the Company's financial instruments, it is management's opinion that the Company is not exposed to significant credit, interest rate, or market risks in respect of these financial instruments. The carrying value (totalling \$78,888) of the financial assets recorded in these financial statements represents the Company's maximum exposure to such risks as at December 31, 2018. The Company is exposed to liquidity risk due to its limited cash resources (*Note 1*).

4. Share Capital

The authorized share capital of the company consists of an unlimited number of common shares without par value.

a) Issued and outstanding

	Shares	Amount
Balance – December 31, 2016	64,679,923	\$ 32,202,417
Private placement – units	7,792,593	468,460
Private placement – units	3,866,666	386,667
Share issuance costs	-	(49,102)
Finders' warrants issued	-	(14,623)
Flow-through premium	-	(39,867)
Exercise of warrants	300,000	15,000
Shares issued for Snowbird property (<i>Note 5</i>)	6,000,000	330,000
Shares issued for Snowbird property finder's fee (<i>Note 5</i>)	262,500	14,438
Balance – December 31, 2017	82,901,682	33,313,390
Exercise of warrants	1,600,000	80,000
Shares issued for Maroon property (<i>Note 5</i>)	300,000	16,500
Shares issued for Maroon property finder's fee (<i>Note 5</i>)	53,077	2,919
Shares issued for Snowbird property (<i>Note 5</i>)	2,000,000	60,000
Shares issued for Snowbird property finder's fee (<i>Note 5</i>)	175,000	5,250
Balance – December 31, 2018	87,029,759	\$ 33,478,059

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Canadian Funds

4. Share Capital - *continued*

a) Issued and outstanding - *continued*

In July 2017, the Company completed a private placement by issuing 3,805,900 units at a price of \$0.055 per unit and 3,986,693 flow-through units at a price of \$0.065 per flow-through unit for gross cash proceeds of \$468,460. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one additional common share at a price of \$0.085 per share for a period of 36 months. Each flow-through unit consisted of one common flow-through share and one non-flow-through share purchase warrant entitling the holder to purchase one additional common share at a price of \$0.10 per share for a period of 36 months. The Company paid finders' fees on a portion of the placement, which consisted of 6% in cash and 6% in finders' warrants, with each finder's warrant entitling the holder to purchase one additional common share at a price of \$0.085 per share for a period of 36 months. The Company paid total finders' fees of \$18,274 and issued 296,040 warrants to qualified finders. The fair value of the finders' warrants was estimated at \$13,225 using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions: risk-free interest rate of 1.16%, expected dividend yield of 0.00%, estimated stock price volatility of 162%, and expected option life of three years. In addition, the Company paid \$17,887 in legal and filing fees in respect of the placement.

The flow-through feature of the flow-through shares was valued at \$0.01 per share, resulting in a flow-through premium liability of \$39,867. The full amount of the required qualifying exploration expenditures was completed by December 31, 2017 and accordingly the flow-through premium liability was derecognized and a deferred income tax recovery of \$39,867 was recorded.

The Company uses the residual value approach in respect of unit offerings and as the trading price of the shares exceeded the unit price (net of the flow-through premium), no value was assigned to the warrants.

In November 2017, the Company completed a private placement by issuing 3,866,666 units at a price of \$0.12 per unit for gross cash proceeds of \$464,000. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one additional common share at a price of \$0.25 per share for a period of 24 months. The Company paid finders' fees on a portion of the placement, which consisted of 6% in cash and 6% in finders' warrants, with each finder's warrant entitling the holder to purchase one additional common share at a price of \$0.25 per share for a period of 24 months. The Company paid total finders' fees of \$2,400 and issued 20,000 warrants to qualified finders. The fair value of the finders' warrants was estimated at \$1,398 using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions: risk-free interest rate of 1.46%, expected dividend yield of 0.00%, estimated stock price volatility of 181%, and expected option life of two years. In addition, the Company paid \$10,541 in legal and filing fees in respect of the placement.

As the unit price of this offering exceeded the trading price of the shares by \$0.02 per share, \$77,333 of the unit proceeds has been assigned to the warrants.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Canadian Funds

4. Share Capital - *continued*

b) Stock options

The Company has a rolling stock option plan under which the Company may grant options to its directors, employees, and other service providers for up to 10% of the outstanding common shares. The board of directors determines the exercise price per share and the vesting period under the plan, subject to TSX Venture Exchange policy. Details of stock option activities are as follows:

	Number	Weighted Average Exercise Price
Balance – December 31, 2016	5,300,000	\$ 0.08
Granted	2,750,000	\$ 0.06
Expired	(950,000)	\$ 0.16
Balance – December 31, 2017	7,100,000	\$ 0.06
Granted	1,500,000	\$ 0.05
Expired	(2,150,000)	\$ 0.07
Balance – December 31, 2018	6,450,000	\$ 0.05

As at December 31, 2018, the Company had stock options outstanding entitling the holders to purchase common shares of the Company as follows:

Number	Exercise Price	Expiry Date
2,450,000	\$ 0.05	October 28, 2021
1,500,000	\$ 0.05	February 15, 2022
600,000	\$ 0.05	June 22, 2022
400,000	\$ 0.12	October 25, 2022
1,500,000	\$ 0.05	August 21, 2023
6,450,000		

As at December 31, 2018, the outstanding options had a weighted-average remaining life of 3.44 years; all outstanding options had vested and were exercisable.

c) Share-based compensation

During the year, the Company granted stock options to its directors, officers, employees, and service providers and estimated related share-based compensation as follows:

	2018	2017
Total options granted	1,500,000	2,750,000
Weighted-average exercise price	\$ 0.05	\$ 0.06
Estimated fair value of compensation	\$ 61,181	\$ 131,171
Estimated fair value per option	\$ 0.04	\$ 0.05

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Canadian Funds

4. Share Capital - *continued*

c) Share-based compensation - *continued*

The fair value of the related share-based compensation recognized in the accounts has been estimated using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions:

	2018	2017
Risk-free interest rate	2.18%	1.24%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	150%	149%
Expected forfeiture rate	0.00%	0.00%
Expected option life in years	5.00	5.00

During 2018, 1,500,000 (2017 - 2,750,000) options vested and the Company recognized \$61,181 (2017 - \$131,171) in share-based compensation.

d) Warrants

Details of share purchase warrant activities are as follows:

	Number	Weighted Average Exercise Price
Balance – December 31, 2016	1,900,000	\$ 0.05
Issued	11,975,299	\$ 0.14
Exercised	(300,000)	\$ 0.05
Balance – December 31, 2017	13,575,299	\$ 0.13
Exercised	(1,600,000)	\$ 0.05
Balance – December 31, 2018	11,975,299	\$ 0.14

As at December 31, 2018, the Company had share purchase warrants outstanding entitling the holders to purchase common shares of the Company as follows:

Number	Exercise Price	Expiry Date
3,886,666	\$ 0.250	November 10, 2019
3,996,640	\$ 0.085	June 22, 2020
3,746,693	\$ 0.100	June 22, 2020
90,900	\$ 0.085	July 12, 2020
240,000	\$ 0.100	July 12, 2020
14,400	\$ 0.085	July 14, 2020
<u>11,975,299</u>		

As at December 31, 2018, the outstanding warrants had a weighted-average remaining life of 1.28 years.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Canadian Funds

5. Exploration and Evaluation

Details of the Company's mineral interests are as follows:

Snowbird, Canada

In February 2017, the Company entered into an option agreement granting it the right to earn a 100% interest in the Snowbird property located near Fort St. James, British Columbia. To earn its interest, the Company, at its option, must issue 12,000,000 shares and incur \$1,500,000 in exploration expenditures as follows:

	Shares	Expenditures
Upon regulatory approval (<i>issued</i>)	6,000,000	\$ -
On or before September 30, 2018 (<i>issued/incurred</i>)	2,000,000	500,000
On or before September 30, 2019	2,000,000	500,000
On or before September 30, 2020	2,000,000	500,000
	12,000,000	\$ 1,500,000

During 2017, the Company issued 6,000,000 shares to the optionors, with a fair value of \$330,000; in 2018, the Company issued 2,000,000 shares with a fair value of \$60,000. A finder's fee is payable on the transaction, which requires the issuance of shares in stages as the Company issues shares to the optionor. During 2017, the Company issued 262,500 shares to the finder of the project, with a fair value of \$14,438; in 2018, the Company issued 175,000 shares with a fair value of \$5,250. The agreement provides for a 2% net smelter returns royalty ("NSR") that, upon payment of royalty payments totalling \$1,300,000, reverts to an uncapped 1% NSR.

Maroon, Canada

In May 2018, the Company entered into an option agreement to acquire a 100% interest in the Maroon gold property located 35 kilometres north of Terrace, British Columbia. Upon regulatory approval, the Company paid the optionor \$15,000 and issued 300,000 shares and can acquire its interest by issuing, at its option, an additional 600,000 shares and making exploration expenditures of \$400,000 as follows:

	Shares	Expenditures
Upon regulatory approval (<i>issued</i>)	300,000	\$ -
On or before September 30, 2019	300,000	150,000
On or before September 30, 2020	300,000	250,000
	900,000	\$ 400,000

In June 2018, the Company issued the initial tranche of 300,000 shares to the optionor, with a fair value of \$16,500. A finder's fee is payable on the transaction, which requires the issuance of shares in stages as the Company issues shares to the optionor. The initial payment of the finder's fee was paid by issuing 53,077 shares with a fair value of \$2,919. The agreement provides for a 2% NSR, one-half of which may be purchased by the Company upon payment of \$500,000.

Gitennes Exploration Inc.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Canadian Funds

5. Exploration and Evaluation - *continued*

Urupalqui, Peru

In December 2014, Andean earned a 100% interest in the Company's Urupalqui project situated in north-central Peru. The Company retains an uncapped NSR of 1.5% on all metals produced at Urupalqui, with no buy-out or other provisions attached. In addition, the Company retained a convertible debenture receivable from Andean with a face value of \$475,000 and an annual interest rate of 6% with interest only due semi-annually. The debenture is convertible into shares of Andean, at the Company's option, at a conversion rate of \$0.06 per Andean share. During the period of the debenture, Andean is required to pay 12% of any funds raised by it and certain of its subsidiaries to pay down the debenture. The debenture matured on December 22, 2017.

Since October 1, 2015, the common shares of Andean have been subject to a Cease-Trade Order issued by the British Columbia Securities Commission due to a default in complying with its continuous disclosure filing requirements. Given the continued halted status of Andean's shares, the Company is carrying the convertible debenture at a nominal value of \$1,000; the conversion feature of the convertible debenture is considered to be of nominal value.

The Company received payments from Andean of \$10,000 in November 2016 and \$20,000 in August 2017 to be applied against outstanding interest. Accrued interest to date has not been recognized in the accounts and while the continued Cease-Trade Order on Andean supports the Company's nominal value assignment to the convertible debenture, management remains committed to collecting the \$475,000 face value of the debenture, plus accrued interest, as future circumstances permit.

The Company also continues to hold 663,000 common shares of Andean, which were acquired under the option agreements relating to the Urupalqui project. The acquisition of these shares represented a strategic investment in the Urupalqui project and not an acquisition of held-for-trading securities. Accordingly, upon adoption of IFRS 9 on January 1, 2018, the Company classified these shares, which are being carried at nominal value, as financial assets at FVTOCI.

Hixon, Canada

In June 2016, the Company acquired, through staking, mining claims in the northern part of the Barkerville Gold Belt in British Columbia. The Company abandoned the project in June 2018.

Gitennes Exploration Inc.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Canadian Funds

5. Exploration and Evaluation - continued

Exploration and evaluation expenditures

The Company expenses exploration and evaluation costs relating to its mineral property interests in the period incurred. Expenditures for the year and cumulative expenditures as at December 31, 2018 are as follows:

	Expenditures 2018	Expenditures 2017	Cumulative 2018
Snowbird, Canada			
Option payments, finder fees, and staking	\$ 67,586	\$ 378,849	\$ 446,435
Assays	17,602	29,296	46,898
Camp and general	5,641	13,508	19,149
Consulting	12,819	5,329	18,148
Drilling	172,285	112,285	284,570
Geological	38,000	141,551	179,551
Geophysical	-	26,966	26,966
Mapping and survey	12,788	5,032	17,820
Transportation	30,341	65,767	96,108
Expenditure recoveries	(49,252)	-	(49,252)
	<u>307,810</u>	<u>778,583</u>	<u>1,086,393</u>
Maroon, Canada			
Option payments and finder fees	34,419	-	34,419
Assays	744	-	744
Camp and general	193	-	193
Geological	2,500	-	2,500
Mapping and survey	1,773	-	1,773
Transportation	6,460	-	6,460
	<u>46,089</u>	<u>-</u>	<u>46,089</u>
Hixon, Canada			
Staking	-	-	2,531
Administration and legal	-	-	500
Assays	-	-	5,061
Camp and general	-	201	5,913
Geological	-	1,000	15,800
Geophysical	-	-	10,859
Transportation	-	-	15,440
	<u>-</u>	<u>1,201</u>	<u>56,104</u>
	<u>\$ 353,899</u>	<u>\$ 779,784</u>	<u>\$ 1,188,586</u>

Title

Ownership of mineral interests involves certain inherent risks due to the difficulties of determining and obtaining clear title to the claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral interests. The Company has investigated ownership of its Snowbird and Maroon properties and its NSR on the Urumulqui property and, to the best of its knowledge, ownership of these interests are in good standing.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Canadian Funds

6. Related Party Transactions and Key Management Compensation

The Company had transactions with related persons or corporations, which were undertaken in the normal course of operations and were measured at the amounts agreed to by the parties. Key management personnel include executive and non-executive directors and executive officers. The compensation paid or payable to key management is as follows:

		2018		2017
Geological and administrative consulting fees	\$	60,000	\$	60,000
Accounting fees		42,000		42,000
	\$	102,000	\$	102,000

In addition, the Company recorded share-based compensation of \$59,142 (2017 - \$46,308), which relates to incentive stock options granted to directors and officers. Share-based compensation is a non-cash item calculated using the Black-Scholes Option-Pricing Model with the assumptions detailed in Note 4c.

Accounts payable includes \$112,000 (2017 - \$51,000) in accrued administrative and geological consulting and accounting fees due to the chief executive officer and the chief financial officer.

In addition, the chief executive officer and the chief financial officer have agreed to waive payment of accrued administrative consulting and accounting fees totalling \$42,500 such that payment will not be required within twelve months. Accordingly, this balance has been classified as long-term debt in these financial statements. These amounts bear interest at 8% per annum; during the year, interest totalling \$3,400 (2017 - \$3,391) was paid on these amounts.

In July 2016, the Company received a loan of \$50,000 from the chief executive officer of the Company. The loan was unsecured, bearing interest at 10% per annum, and matured on July 1, 2019 with the option of prepayment without penalty. The loan was repaid in full in March 2018; interest of \$1,110 (2017 - \$5,000) was paid on the loan during the year.

7. Capital Risk Management

The Company is in the business of mineral exploration and has no source of operating revenue. The Company manages its capital structure, being its shareholders' equity and long-term debt, and makes adjustments to it based on the funds available to the Company in order to support future business opportunities. The Company typically finances its operations through the issuance of capital stock. Capital raised is held in cash until it is required to pay operating expenses or exploration and evaluation expenditures. Its objectives in managing its capital are to safeguard its cash and its ability to continue as a going concern (*Note 1*), and to utilize as much of its available capital as possible for exploration activities. The Company's objectives have not changed during the year.

8. Segmented Information

The Company currently operates in only one operating segment, that being the mineral exploration industry. The Company currently has two exploration projects in British Columbia, Canada and a royalty interest in a property located in Peru that is owned by Andean.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Canadian Funds

9. Income Taxes

The Company operates in two tax jurisdictions and is subject to varying rates of taxation. The Company has various non-capital tax losses and deferred exploration expenditures that are available for carry forward to reduce taxable income of future years. Details of income tax expense for the years ended December 31 are as follows:

	2018	2017
Loss before income taxes		
for accounting purposes	\$ (597,401)	\$ (1,109,054)
Statutory tax rate	27.00%	26.00%
Expected tax recovery for the year	(161,298)	(288,354)
Non-deductible and other items	87,502	(23,454)
Foreign income at different tax rates	(70,347)	55,596
Unrecognized deferred tax assets	144,143	216,345
Tax recovery for the year	\$ -	\$ (39,867)

Deferred income taxes reflect the net effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's deferred income tax assets as at December 31 are as follows:

	2018	2017
Non-capital losses	\$ 944,000	\$ 892,000
Mineral property expenditures	2,236,000	2,155,000
Equipment and other	82,000	81,000
Other	11,000	14,000
Unrecognized deferred income tax assets	\$ 3,273,000	\$ 3,142,000

The components of the Company's unrecognized deferred tax assets expire as follows:

	2018	2017
Share issuance costs – deductible 2019-2021	\$ 31,000	\$ 41,000
Non-capital losses – expire 2026 to 2038	3,495,000	3,305,000
Capital losses – no expiry	10,000	10,000
Equipment and other – no expiry	303,000	302,000
Mineral property expenditures – no expiry	8,283,000	7,983,000
	\$ 12,122,000	\$ 11,641,000