

**Sitka Gold Corp.**  
**( An Exploration Stage Corporation)**  
**Consolidated Financial Statements**

Three Months Ended September 30, 2018

(Unaudited - prepared by management)

(Expressed in Canadian dollars)

**SITKA GOLD CORP.**  
**UNAUDITED FINANCIAL STATEMENTS**

**NOTICE TO READER**  
**OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS**

The interim financial statements of Sitka Gold Corp as of September 30, 2018 are the responsibilities of the Company's management.

These financial statements have not been audited or reviewed on behalf of the shareholders by the independent external auditors.

The financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with International Financial Reporting Standards.

"Corwin Coe"

---

Corwin Coe  
CEO, Director

" Donald Penner"

---

Donald Penner  
Director

**Sitka Gold Corp.**  
**(A Development Stage Corporation)**  
**Consolidated Statement of Financial Position**  
**(Unaudited, expressed in Canadian Dollars)**

	September 30, 2018	December 31, 2017 (Audited)
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	192,446	19,621
Prepaid	54,499	26,275
GST receivable	8,269	2,807
	<u>255,214</u>	<u>48,703</u>
<b>Non- Current Assets</b>		
Exploration and evaluation assets (notes 4)	953,524	358,099
	<u>1,208,738</u>	<u>406,802</u>
<b>LIABILITIES</b>		
<b>Current liability</b>		
Accounts payable and accrued liabilities	3,722	118,298
Loan payable (Note 6)	-	35,383
	<u>3,722</u>	<u>153,681</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital (Note 5(b))	1,782,653	620,135
Reserve (note 5 (d))	24,642	-
Deficit	(602,279)	(367,014)
	<u>1,205,016</u>	<u>253,121</u>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<u>1,208,738</u>	<u>406,802</u>

Nature and continuance of operations (note 1)

Commitments and contingencies (notes 4)

**APPROVED ON BEHALF OF THE BOARD**

"Corwin Coe"

Corwin Coe, Director

"Donald Penner"

Donald Penner, Director

*The accompanying notes are an integral part of the financial statements.*

**Sitka Gold Corp**  
**(A Development Stage Corporation)**  
**Consolidated Statement of Comprehensive Loss**  
**(unaudited, expressed in Canadian Dollars)**

	Quarter ended September 30, 2018	Nine months ended September 30, 2018	Quarter ended September 30, 2017	Nine months ended September 30, 2017
	\$	\$	\$	\$
<b>EXPENSES</b>				
Administration expenses	14,978	47,391	7,380	22,406
Listing and filing fees	1,400	8,504	352	13,161
Investor relations	3,992	77,474	-	-
Professional fees	8,164	12,547	11,587	45,305
Payroll	6,148	15,463	-	-
Share-based payments (note 5)	-	24,642	-	-
Travel and accomodation	8,690	47,381	7,783	36,035
<b>LOSS BEFORE OTHER ITEMS</b>	<b>(43,372)</b>	<b>(233,402)</b>	<b>(27,102)</b>	<b>(116,907)</b>
<b>OTHER ITEMS</b>				
Foreign Exchange Gain (Loss)	(2,922)	(5,540)	-	-
Settlement of flow-through share				
Premium liability	-	-	-	1,113
Interest and other income	1,302	3,677	-	-
	<b>(1,620)</b>	<b>(1,863)</b>	<b>-</b>	<b>1,113</b>
<b>LOSS for the period</b>	<b>(44,992)</b>	<b>(235,265)</b>	<b>(27,102)</b>	<b>(115,794)</b>
<hr/>				
<b>Basic and diluted loss per share</b>	<b>\$ (0.00)</b>	<b>(0.01)</b>	<b>(0.00)</b>	<b>(0.01)</b>
<b>Weighted average number of shares (basic and diluted)</b>	<b>16,983,739</b>	<b>16,059,235</b>	<b>10,367,000</b>	<b>10,190,260</b>

*The accompanying notes are an integral part of the financial statements.*

**Sitka Gold Corp.****(A Development Stage Corporation)****Consolidated Statement of Changes in Shareholders' Equity****(Unaudited, expressed in Canadian Dollars)**

	Common Shares Outstanding	Share Capital \$	Reserve \$	Deficit \$	Total Shareholders' Equity \$
<b>Balance, December 31, 2016</b>	8,567,000	440,135	-	( 184,939)	255,196
Shares issued for cash	1,550,000	155,000			155,000
Shares issued in lieu of expenditures	150,000	15,000			15,000
Shares issuance for option agreement	100,000	10,000			10,000
Loss for the period				(115,794)	( 115,794)
<b>Balance, September 30, 2017</b>	10,367,000	620,135	-	( 300,733)	319,402
Loss for the period				(66,281)	( 66,281)
<b>Balance, December 31, 2017</b>	10,367,000	620,135	-	(367,014)	253,121
IPO shares issuance for cash	6,000,000	1,017,946			1,017,946
Shares issuance for cash, net of fees	480,000	113,972			113,972
Warrants exercised	100,000	15,000			15,000
Shares issuance for option agreement	50,000	6,000			6,000
Shares issuance for finder's fee on property	80,000	9,600			9,600
Share-based payments (note 5)			24,642		24,642
Loss for the period				(235,265)	( 235,265)
<b>Balance, September 30, 2018</b>	17,077,000	1,782,653	24,642	(602,279)	1,205,016

*The accompanying notes are an integral part of the financial statements.*

**Sitka Gold Corp.**  
**( An Exploration Stage Corporation)**  
**Consolidated Statement of Cash Flows**  
**(Unaudited , expressed in Canadian dollars)**

	<b>Nine Months Ended September 30, 2018</b>	<b>Nine Months Ended September 30, 2017</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Loss for the period	(235,265)	(115,794)
Items not affecting cash		
Settlement of flow-through premium liability	-	(1,113)
Share-based payments	24,642	-
Change in non-cash working capital		
Prepaid	(28,224)	(3,675)
GST receivable	(5,462)	(73)
Loan payable	(35,383)	-
Accounts payable and accrued liabilities	(114,576)	(1,490)
	<u>(394,268)</u>	<u>(122,145)</u>
<b>Cash flows from investing activities</b>		
Exploration and evaluation assets	<u>(579,825)</u>	<u>(42,701)</u>
	<u>(579,825)</u>	<u>(42,701)</u>
<b>Cash flows from financing activities</b>		
Cash payments received from share subscription	<u>1,146,918</u>	<u>155,000</u>
	<u>1,146,918</u>	<u>155,000</u>
<b>Increase (decrease) in cash and cash equivalents</b>	172,825	-9,846
Cash and cash equivalents , beginning of period	19,621	41,281
<b>Cash and cash equivalents , end of period</b>	<u>192,446</u>	<u>31,435</u>
<b>Cash and cash equivalents consist of</b>		
Cash	20,896	58,536
Variable rate GIC	171,550	-
	<u>192,446</u>	<u>58,536</u>

During the nine month ended September 30, 2018, the Company made no cash payments (2017 -\$nil) for interest and made no cash payments for income taxes (2017 - \$nil).

Non-cash investing and financing activity

During the nine months ended September 30, 2018, the Company issued 130,000 common shares (2017 -150,000) with deemed value of \$15,600 for mineral exploration property (2017 -\$15,000).

## **Sitka Gold Corp.**

Notes to the Consolidated Interim Financial Statements

September 30, 2018

(Unaudited - Expressed in Canadian dollars)

### **1. Nature and continuance of operations**

Sitka Gold Corp. (the "Company"), was incorporated on January 13, 2015 under the laws of the province of British Columbia. The Company's principal business activity is the exploration for mineral resources, in Nunavut, Canada, Nevada, USA and Arizona, USA.

On January 31, 2018, the Company completed its initial public offering (Note 5) and began trading on the Canadian Securities Exchange on January 31, 2018 under the trading symbol "SIG".

The Company's registered office and principal place of business is Suite 1500, 409 Granville Street, Vancouver, British Columbia, Canada.

These consolidated interim financial statements have been prepared on a going concern basis which assumes the Company will realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity to the public, will be sought to finance the operations of the Company. Although the Company has a history of raising money, there is no guarantee of this in the future. As a result, there always exists uncertainty about the Company's ability to continue as a going concern. These consolidated interim financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

### **2. Basis of preparation**

#### **(a) Statement of compliance**

These consolidated interim financial statements for the quarter ended September 30, 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Therefore, these financial statements comply with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

The consolidated interim financial statements were authorized for issuance on November 9, 2018 by the directors of the Company.

#### **(b) Basis of measurement**

These interim financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. These financial statements are presented in Canadian dollars, unless otherwise noted, which is also the Company's functional currency.

#### **(c) Principles of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Arctic Copper Corp and Sitka Gold (US) Corp. The controlled entity is fully consolidated from the date of acquisition, being the date on which the Company obtains control and continues to be consolidated until the date such control ceases. All intercompany transactions and balances have been eliminated upon consolidation.

## Sitka Gold Corp.

Notes to the Consolidated Interim Financial Statements

September 30, 2018

(Unaudited - Expressed in Canadian dollars)

### 2. Basis of preparation (continued)

#### (d) Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to use judgment in applying its accounting policies and make estimates and assumptions about reported amounts at the date of the financial statements and in the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumption where there is significant risk of material adjustments to assets and liabilities in future accounting period include the recoverability of the carry value of the exploration and evaluation assets, the measurements for financial instrument, the recoverability of deferred tax assets and the measurement of Flow-through share premium liabilities.

The preparation of financial statements in accordance with IFRS required the Company to make judgements, apart from those involving estimates, in applying accounting policies. The following are the most significant judgements that management has made in applying the Company's financial statements: the assessment of the Company's ability to continue as a going concern and the classification of exploration and evaluation assets.

### 3. Significant accounting policies

#### (a) Exploration and evaluation assets

Exploration costs incurred prior to the Company obtaining the legal right to explore an area are expensed in the period in which they are incurred.

Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option.

Property option agreements are exercisable entirely at the option of the optionee. Therefore, option payments (or recoveries) are recorded when payment is made (or received) and are not accrued.

Property acquisition costs are capitalized. Exploration and evaluation costs, other than property acquisition costs, are recognized as exploration and evaluation assets on the statement of financial position when management has established that a resource exists and that the costs can be economically recovered.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

**Sitka Gold Corp.**

Notes to the Consolidated Interim Financial Statements

September 30, 2018

(Unaudited - Expressed in Canadian dollars)

**3. Significant accounting policies** (continued)

## (b) Impairment of non-financial assets

The carrying amount of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

## (c) 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 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, in the countries where the Company operates and generates taxable income.

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 profit or loss. 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 tax:

Deferred tax is recognized on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that future taxable income will be available to allow all or part of the temporary differences to be utilized. Deferred 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 and are expected to apply by the end of the reporting period. Deferred 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 taxes relate to the same taxable entity and the same taxation authority.

## Sitka Gold Corp.

Notes to the Consolidated Interim Financial Statements

September 30, 2018

(Unaudited - Expressed in Canadian dollars)

### 3. Significant accounting policies (continued)

(d) Foreign currency translation

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the reporting date and the related translation differences are recognized in profit and loss.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated.

(e) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants, options and flow-through shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity, net of tax.

(f) Flow-through shares

Resource expenditure deductions for income tax purposes related to exploratory activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. 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 expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until qualifying expenditures are incurred.

(g) Financial instruments

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

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in statement of comprehensive loss.

## Sitka Gold Corp.

Notes to the Consolidated Interim Financial Statements

September 30, 2018

(Unaudited - Expressed in Canadian dollars)

### 3. Significant accounting policies (continued)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

#### (h) Accounting Standards and Interpretations Issued but Not Yet Adopted

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 16 - Leases was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for reporting periods beginning on or after January 1, 2019. The Company has not yet assessed the impact of the standard. The Company anticipates that the application of the above new and revised standards, amendments and interpretations will have no material impact on its results and financial position. Disclosure changes are anticipated.

**Sitka Gold Corp.**

Notes to the Consolidated Interim Financial Statements

September 30, 2018

(Unaudited - Expressed in Canadian dollars)

**4. Exploration and evaluation assets**

The Company has classified its exploration properties into two separate geographical locations, namely Nunavut, Canada and Nevada, USA.

A continuity of the Company's exploration and evaluation assets is as follows:

	Nunavut, Canada	Nevada, USA	Total
Balance, December 31, 2016	\$ 148,477	\$ 111,006	\$ 259,483
Claim fees	-	42,937	42,937
Geological and analytical costs	3,500	20,900	24,400
Travel and accommodation	-	4,930	4,930
Equipment and supplies	-	1,349	1,349
Total exploration costs	3,500	70,116	73,616
Acquisition costs	-	25,000	25,000
Total 2017 additions	-	95,116	98,616
Balance, December 31, 2017	\$ 151,977	\$ 206,122	\$ 358,099

	Nunavut, Canada	Nevada, USA	Total
Balance, December 31, 2017	\$ 151,977	\$ 206,122	\$ 358,099
Claim fees	-	66,596	66,596
Geological and analytical costs	-	87,551	87,551
Drilling costs	-	294,644	294,644
Geophysical costs	-	65,445	65,445
Assay and Geochemical costs	-	32,481	32,481
Transportation	-	27,056	27,056
Travel and accommodation	-	4,154	4,154
Equipment and supplies	-	1,898	1,898
Total exploration costs	-	579,825	579,825
Acquisition costs	-	15,600	15,600
Total 2018 additions	-	595,425	595,425
Balance, September 30, 2018	\$ 151,977	\$801,547	\$ 953,524

*(a) Coppermine River Property, Nunavut*

The Company has staked 45 mineral claims from the Coppermine River Project in the northwest region of Yellowknife.

As of September 30, 2018, the Company incurred total acquisition and exploration expenditures of \$151,977 relating to the Coppermine River Property.

*(b) Adobe Gold Property, Nevada, USA*

On December 8, 2015, the Company entered into an option agreement with Intercept Minerals Corporation ("Intercept"), whereby the Company has the option to acquire 60% of Intercept's interest ("First Option") in the Adobe Gold Property (the "Adobe Property"), subject to the following items:

(1) issue and deliver an aggregate of 500,000 common shares of the Company to Intercept as follows:

- (i) 100,000 shares on signing of the agreement (issued);
- (ii) 100,000 shares on or before December 1, 2016 (issued);
- (iii) 100,000 shares on or before September 1, 2017 (issued);
- (iv) 200,000 shares on or before September 1, 2018;

Clause (iv) was amended on July 19, 2018 that 50,000 shares are due September 1<sup>st</sup>, 2018 (issued) and the remaining 150,000 shares are due September 1<sup>st</sup>, 2019.

## Sitka Gold Corp.

Notes to the Consolidated Interim Financial Statements

September 30, 2018

(Unaudited - Expressed in Canadian dollars)

### 4. Exploration and evaluation assets (continued)

- (2) incur US\$100,000 in exploration expenditures on the Adobe Property on or before December 8, 2016;

The Company did not incur US\$100,000 on the Adobe Property before December 8, 2016. On April 10, 2017, Intercept agreed to accept 150,000 shares in lieu of the expenditure requirement.

- (3) incur at least an aggregate of US\$600,000 in exploration expenditures on the Adobe Property on or before September 1, 2018;

On July 19, 2018, Intercept agreed to extend the due date to incur exploration expenditures of US\$600,000 to September 1, 2019

- (4) The Adobe Property is subject to a 1.5% Net Smelter Royalty ("NSR").

If the Company exercises the First Option, the Company shall have the right to earn an additional 10% interest ("Second Option") so that the Company holds a 70% interest by issuing an additional 500,000 common shares on or before September 1, 2019.

The Company shall have the right to earn an additional 30% interest ("Third Option") so that the Company holds a 100% interest by issuing an additional 2,000,000 common shares and granting a royalty equal to 1% of the NSR. The Company may at any time purchase the 1% NSR from Intercept for US\$2,000,000.

The Company assumed all the obligations and commitments that Intercept had, pursuant to an underlying agreement, starting March 12, 2018 as follows:

- US\$20,000 on or before March 12, 2018;
- US\$40,000 on or before September 12, 2018;
- US\$60,000 on or before September 12, 2019; and
- US\$110,000 on or before September 12, 2020.

These payments will be deducted from the NSR payable by the Company once commercial production begins. Such payments can be made as shares, cash or a combination thereof.

The Company can opt to not make the payments at any time and forego the option on the Adobe Gold Property.

#### (c) *Alpha Gold Property, Nevada*

In January 2018, the Company entered into an agreement with Objective Exploration LLC ("Objective") to acquire 100% of Objective's interest in the Alpha Gold Property located in Eureka County, Nevada, subject to the following terms:

- (i) grant a 1.5% NSR with the right to purchase all of the NSR for US\$3,000,000;
- (ii) pay US\$10,000 annually as an advance royalty until 2039 or until purchase of NSR;
- (iii) pay US\$10,000 annually in cash or shares after 10,000 feet of drilling has been conducted on the property until 2039 or until purchase of the NSR ;
- (iv) pay an additional US\$20,000 annually in cash or shares after 50,000 feet of drilling has been conducted on the property until 2039 or until purchase of the NSR; and
- (v) pay all fees to file and maintain the property

## **Sitka Gold Corp.**

Notes to the Consolidated Interim Financial Statements

September 30, 2018

(Unaudited - Expressed in Canadian dollars)

### **4. Exploration and evaluation assets (continued)**

*(d) Burro Creek Property, Arizona*

On September 17, 2018, the Company entered into an option agreement with Coelton Ventures Ltd. ("Coelton") to acquire a 100% interest in the Burro Creek Property located in Mohave County, Arizona, USA, subject to the following terms:

- (i) On the date the Company receives conditional acceptance of this Agreement and the subject transaction from the Canadian Securities Exchange, unless on or before the expiry of 30 days from such date the Company has made a payment of \$50,000 and issued 500,000 common shares of the Company to Coelton (paid and issued subsequent to September 30, 2018);
- (ii) On September 17, 2019, unless on or before such date Sitka has made a further cash payment of \$50,000, has made a further share disbursement of 500,000 Common Shares to Coelton and has completed a cumulative total of \$100,000 in Expenditures on the Property;
- (iii) On September 17, 2020, unless on or before such date Sitka has made a further cash payment of \$150,000, has made a further share disbursement of 500,000 Common Shares to Coelton and has completed a cumulative total of \$250,000 in Expenditures on the Property;
- (iv) On September 17, 2021, unless on or before such date Sitka has made a further cash payment of \$200,000, has made a further share disbursement of 500,000 Common Shares to Coelton and has completed a cumulative total of \$1,000,000 in Expenditures on the Property;
- (v) On September 17, 2022, unless on or before such date Sitka has made a further cash payment of \$250,000, has made a further share disbursement of 500,000 Common Shares to Coelton and has completed a cumulative total of \$2,000,000 in Expenditures on the Property;
- (vi) On September 17, 2023, unless on or before such date Sitka has made a further cash payment of \$300,000, has made a further share disbursement of 500,000 Common Shares to Coelton and has completed a cumulative total of \$3,000,000 in Expenditures on the Property;
- (vii) On September 17, 2024, unless on or before such date Sitka has made a further share disbursement of 1,000,000 Common Shares to Coelton; and has completed a cumulative total of \$4,000,000 in Expenditures on the Property;
- (viii) on September 17, 2025, unless on or before such date Sitka has made a further share disbursement of 1,000,000 Common Shares to Coelton.

### **5. Share capital**

*(a) Authorized*

Unlimited common shares with no par value

*(b) Issued and outstanding*

**Sitka Gold Corp.**

Notes to the Consolidated Interim Financial Statements

September 30, 2018

(Unaudited - Expressed in Canadian dollars)

**5. Share capital (continued)**

	Number of Common shares	Share Capital
<i>Balance, December 31, 2016</i>	8,567,000	\$440,135
Financing, net of issue costs (i)	1,550,000	155,000
Issued pursuant to option agreement (ii)	250,000	25,000
<i>Balance, December 31, 2017</i>	10,367,000	\$620,135
IPO Financing, net of issue costs (iii)	6,000,000	1,017,946
Financing, net of issue costs (iv)	480,000	113,972
Issued for finder's fee on property (v)	80,000	9,600
Issued pursuant to option agreement (vi)	50,000	6,000
Shares issued on warrants exercised	100,000	15,000
<i>Balance, September 30, 2018</i>	17,077,000	\$1,782,653

- (i) In February 2017, the Company closed a private placement and issued 1,550,000 units at \$0.10 per unit for proceeds of \$155,000. Each unit consists of one common share and one warrant which entitles the holder purchase one additional common share of the Company at a price of \$0.15 per share for 2 years.
- (ii) During the year ended December 31, 2017, pursuant to the Adobe Property agreement between the Company and Intercept Minerals Corporation (note 4(b)), total of 250,000 shares were issued for a deemed value of \$25,000.
- (iii) In January 2018, the Company completed its initial public offering of 6,000,000 units of the Company (the "IPO Units") at a price of \$0.20 per IPO Unit for gross proceeds of \$1,200,000. Each IPO Unit is comprised of one common share of the Company and one-half of one transferable share purchase warrant, each whole warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.30 per share until January 30, 2020. The lead agent for the Offering was PI Financial Corp. (the "Agent").

The Agent received a cash commission equal to 8% of the gross proceeds of the Offering as well as non-transferable warrants entitling the Agent and members of its selling group to purchase up to an aggregate of 480,000 common shares of the Company at a price of \$0.30 per common share until January 30, 2020. The Agent also received a corporate finance fee.

- (iv) In June 2018, the Company closed the non-brokered private placement by issuing 480,000 units at a price of \$0.25 per unit for gross proceeds of \$120,000. Each unit is comprised of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one additional share in the capital of the Company at a price of \$0.40 until June 29, 2020. The common shares comprising the Units and any shares issued upon the exercise of any Warrants are subject to a hold period expiring at midnight on October 29, 2018.
- (v) During the quarter ended September 30, 2018, the Company issued 80,000 shares to Objective Exploration LLC for finder's fee on Adobe Property for a deemed value of \$9,600.
- (vi) During the quarter ended September 30, 2018, pursuant to the Adobe Property agreement between the Company and Intercept Minerals Corporation (note 4(b)), 50,000 shares were issued for a deemed value of \$6,000.

**Sitka Gold Corp.**

Notes to the Consolidated Interim Financial Statements

September 30, 2018

(Unaudited - Expressed in Canadian dollars)

**5. Share capital (continued)***(c) Share purchase warrants*

At September 30, 2018, the Company had warrants outstanding and exercisable as follows:

	Number of Warrants	Weighted Average Exercise Price
		\$
Balance, December 31, 2016	6,367,000	0.17
Granted (b(i))	1,550,000	0.15
Balance, December 31, 2017	7,917,000	0.17
Granted (b(iii))	3,480,000	0.30
Exercised	(100,000)	0.15
Granted (b(vi))	480,000	0.40
Balance, September 30, 2018	11,777,000	0.22

The weighted average life of the warrants outstanding at September 30, 2018 is 1.32.

*d) Stock options*

The Company has a stock option plan whereby options to purchase common shares are granted by the board of directors to directors, officers, employees and consultants to the Company. Under the terms of the plan, the Company has reserved an amount of common shares for options up to 10% of the issued and outstanding common shares. Options granted under this plan are non-transferable; expire no later than the tenth anniversary of the date the option is granted and must comply with the requirements of the regulatory authorities.

A summary of outstanding stock options at September 30, 2018 is as follows:

Number of stock options exercisable and outstanding	Exercise price	Expiry date
	\$	
1,000,000	0.25	May 15, 2022
200,000	0.25	April 1, 2023
<u>1,200,000</u>		

Stock option transactions are summarized as follows:

	Number of stock options	Weighted average exercise price	Weighted average remaining life
		\$	(years)
December 31, 2016	-	-	-
Granted (i)	1,000,000	0.25	
December 31, 2017	1,000,000	0.25	4.37
Granted (ii)	200,000	0.25	

## Sitka Gold Corp.

Notes to the Consolidated Interim Financial Statements

September 30, 2018

(Unaudited - Expressed in Canadian dollars)

September 30, 2018	1,200,000	0.25	3.77
--------------------	-----------	------	------

### 5. Share capital (continued)

- (i) On May 15, 2017, the Company granted 1,000,000 stock options to directors and officers of the Company exercisable at \$0.25 per share for a period of five years until May 15, 2022.
- (ii) On April 1, 2018, the Company granted 200,000 stock options to certain directors, officers, employees and consultants exercisable at \$0.25 per share for a period of five years until April 1, 2023. The total fair value was estimated to be \$24,642 using the Black-Scholes Option Pricing Model assuming an expected life of 5 years, expected dividend yield of 0%, a risk-free interest rate of 1.62% and an expected volatility of 82.2.

### 6. Loan payable

In January 2018, the Company borrowed additional loan of \$20,000 from its shareholders with interest rate of 12% per annum. Subsequently the total loan of \$55,000 plus interest of \$859.73 were repaid to the shareholders. As of September 30, 2018, the Company has no loan outstanding.

### 7. Related parties

The Company had the following transaction involving key management during the nine months ended September 30, 2018:

- (1) An officer of the Company provided geological services to the Company. Fee incurred during the nine months were \$13,000 (2017- \$3,500).
- (2) A director of the Company provided geological services to the Company. Fee incurred during the nine months were \$6,000 (2017- \$6,000).

### 8. Financial instruments

The Company is exposed in varying degrees to a variety of financial instrument related risks by virtue of its activities. The overall financial risk management program focuses on preservation of capital, and protecting current and future Company assets and cash flows by reducing exposure to risks posed by the uncertainties and volatilities of financial markets.

The types of risk exposure and the way in which such exposures are managed are as follows:

*Credit Risk* - The Company's credit risk is primarily attributable to its liquid financial assets. The Company's primary exposure to credit risk is on its cash. Cash are held with the same financial institution giving rise to a concentration of credit risk. This risk is managed by using a major Canadian bank that is a high credit quality financial institution.

*Liquidity Risk* - Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. All of the Company's financial liabilities are due within a year.

*Interest rate risk* - Interest rate risk refers to the risk that fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk as cash earns interest income at variable rates. The fair value of cash are minimally affected by changes in short term interest rates.

**Sitka Gold Corp.**

Notes to the Consolidated Interim Financial Statements

September 30, 2018

(Unaudited - Expressed in Canadian dollars)

**8. Financial instruments (continued)**

*Foreign currency risk* - Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to foreign currency risk to the extent that certain monetary financial instruments and other assets are denominated in United States dollars. The Company has not entered into any foreign currency contracts to mitigate this risk, as it believes this risk is minimized by the minimal amount of cash held in United States funds.

*Commodity price risk* - The value of the Company's mineral resource properties is related to the price of various commodities and the outlook for them. Commodity prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial retail demand, central bank lending, forward sales by producers and speculators, level of worldwide production and short-term changes in supply and demand.

*Fair Value* - The Company has various financial instruments comprised of cash, receivables, investments and accounts payable and accrued liabilities.

The carrying amounts of the Company's financial instruments approximate their fair due to their short period of time until maturity.