VOLCANIC
GOLD MINES INC.

# CONSOLIDATED FINANCIAL STATEMENTS
**(Expressed in Canadian Dollars)**

## FOR THE YEAR ENDED DECEMBER 31, 2017

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Volcanic Gold Mines Inc.

We have audited the accompanying consolidated financial statements of Volcanic Gold Mines Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

***Opinion***

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Volcanic Gold Mines Inc. as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

***Emphasis of Matter***

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Volcanic Gold Mines Inc. to continue as a going concern.

**"DAVIDSON & COMPANY LLP"**

Vancouver, Canada
April 26, 2018

Chartered Professional Accountants

**VOLCANIC GOLD MINES INC.**
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2017 and 2016
(Expressed in Canadian Dollars)

| | 2017 | 2016 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash | $ 1,155,116 | $ 472,746 |
| Receivables | 9,858 | 6,973 |
| Prepaid expenses and deposits | 66,693 | - |
| Total current assets | 1,231,667 | 479,719 |
| **Non-current** | | |
| Long-term deposits (Note 9) | 61,000 | - |
| Property and equipment (Note 5) | 17,375 | - |
| Deferred acquisition costs (Note 6) | 43,569 | - |
| Mineral properties (Note 6) | 2,605,605 | - |
| Total non-current assets | 2,727,549 | - |
| | **$ 3,959,216** | **$ 479,719** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current** | | |
| Accounts payable and accrued liabilities (Note 9) | $ 182,991 | $ 311,424 |
| Total liabilities | 182,991 | 311,424 |
| **Shareholders' equity** | | |
| Share capital (Note 10) | 13,191,847 | 5,408,551 |
| Share subscriptions received in advance (Note 10) | - | 301,567 |
| Other equity reserves (Note 10) | 2,143,227 | 104,517 |
| Deficit | (12,049,692) | (5,646,340) |
| Equity attributed to shareholders of the Company | 3,285,382 | 168,295 |
| Non-controlling interest (Note 7) | 490,843 | - |
| Total shareholders' equity | 3,776,225 | 168,295 |
| | **$ 3,959,216** | **$ 479,719** |

**Nature and continuance of operations** (Note 1)
**Subsequent events** (Note 18)

Approved and authorized by the Board on April 26, 2018.

| | | | |
|---|---|---|---|
| *"Jeremy Crozier"* | Director | *"Simon Ridgway"* | Director |
| Jeremy Crozier | | Simon Ridgway | |

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

**VOLCANIC GOLD MINES INC.**
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

| | 2017 | 2016 |
|---|---|---|
| **Exploration expenditures** (Note 8) | $ 2,825,047 | $ 247,254 |
| **General and administrative expenses** | | |
| Consulting and management fees (Note 9) | 241,641 | 60,000 |
| Depreciation | 1,975 | - |
| Investor relations (Note 9) | 546,650 | - |
| Office and administration (Note 9) | 104,867 | 15,003 |
| Professional fees (Note 9) | 71,525 | 59,840 |
| Regulatory and filing fees (Note 9) | 23,027 | 20,507 |
| Salaries and benefits (Note 9) | 89,560 | - |
| Share-based payments (Notes 9 and 11) | 1,830,353 | - |
| Travel (Note 9) | 155,684 | 35,877 |
| | 3,065,282 | 191,227 |
| **Loss before other items** | (5,890,329) | (438,481) |
| **Other items** | | |
| Foreign exchange gain | 17,078 | - |
| Recovery on write-off of accounts payable (Note 9) | 49,750 | 8,938 |
| Write-off of deferred acquisition costs (Note 6) | (693,337) | - |
| **Loss and comprehensive loss for the year** | **$ (6,516,838)** | **$ (429,543)** |
| **Loss and comprehensive loss attributable to:** | | |
| Equity shareholders of the Company | $ (6,403,352) | $ (429,543) |
| Non-controlling interest (Note 7) | (113,486) | - |
| | $ (6,516,838) | $ (429,543) |
| Basic and diluted loss per common share attributable to equity shareholders of the Company | $ (0.15) | $ (0.03) |
| Weighted average number of common shares outstanding | 42,680,838 | 14,629,266 |

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

**VOLCANIC GOLD MINES INC.**
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

| | 2017 | 2016 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Loss for the year | $ (6,516,838) | $ (429,543) |
| Items not affecting cash: | | |
| Recovery on write-off of accounts payable | (49,750) | (8,938) |
| Write-off of deferred acquisition costs | 693,337 | - |
| Depreciation | 1,975 | - |
| Share-based payments | 1,830,353 | - |
| Non-cash working capital item changes: | | |
| Amounts receivable | (2,885) | (5,216) |
| Prepaid expenses and deposits | (66,693) | - |
| Long-term deposits | (61,000) | - |
| Accounts payable and accrued liabilities | (78,683) | 198,117 |
| Net cash used in operating activities | (4,250,184) | (245,580) |
| **FINANCING ACTIVITIES** | | |
| Net proceeds from issuance of common shares | 6,119,058 | - |
| Share subscriptions received | - | 301,567 |
| Share issuance costs | (236,831) | - |
| Net cash provided by financing activities | 5,882,227 | 301,567 |
| **INVESTING ACTIVITIES** | | |
| Purchase of property and equipment | (19,350) | - |
| Deferred acquisition costs | (736,906) | - |
| Mineral property acquisitions | (193,417) | - |
| Net cash used in investing activities | (949,673) | - |
| **Change in cash for the year** | 682,370 | 55,987 |
| Cash, beginning of year | 472,746 | 416,759 |
| **Cash, end of year** | **$ 1,155,116** | **$ 472,746** |

Supplemental disclosure with respect to cash flows (Note 16)

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

**VOLCANIC GOLD MINES INC.**
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

| | **Equity attributed to shareholders of the Company** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Number** | **Amount** | **Share subscriptions** | **Warrants reserve** | **Share-based payment reserve** | **Deficit** | **Total equity attributed to shareholders** | **Non-controlling interest** | **Total** |
| Balance, December 31, 2015 | 14,629,266 | $ 5,408,551 | $ - | $ - | $ 104,517 | $ (5,216,797) | $ 296,271 | $ - | $ 296,271 |
| Loss for the year | - | - | - | - | - | (429,543) | (429,543) | - | (429,543) |
| Share subscriptions received | - | - | 301,567 | - | - | - | 301,567 | - | 301,567 |
| Balance, December 31, 2016 | 14,629,266 | 5,408,551 | 301,567 | - | 104,517 | (5,646,340) | 168,295 | - | 168,295 |
| Loss for the year | - | - | - | - | - | (6,403,352) | (6,403,352) | (113,486) | (6,516,838) |
| Shares issued for mineral property acquisition | 3,766,372 | 1,807,859 | - | - | - | - | 1,807,859 | - | 1,807,859 |
| Shares issued for private placement | 19,166,667 | 6,000,000 | (301,567) | - | - | - | 5,698,433 | - | 5,698,433 |
| Shares issued for finders' fees | 241,733 | 55,599 | - | - | - | - | 55,599 | - | 55,599 |
| Share issuance costs | - | (500,787) | - | 208,357 | - | - | (292,430) | - | (292,430) |
| Warrants exercised | 8,082,500 | 420,625 | - | - | - | - | 420,625 | - | 420,625 |
| Share-based payments | - | - | - | - | 1,830,353 | - | 1,830,353 | - | 1,830,353 |
| Acquired in an asset acquisition | - | - | - | - | - | - | - | 604,329 | 604,329 |
| **Balance, December 31, 2017** | **45,886,538** | **$ 13,191,847** | **$ -** | **$ 208,357** | **$1,934,870** | **$(12,049,692)** | **$ 3,285,382** | **$ 490,843** | **$ 3,776,225** |

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

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Volcanic Gold Mines Inc. is a publicly traded company incorporated under the British Columbia Corporations Act on April 25, 2007. The Company together with its subsidiaries (collectively referred to as the "Company") is principally engaged in acquisition and exploration of resource properties. The Company previously operated under "Volcanic Metals Corp." until it changed its name to Volcanic Gold Mines Inc. on January 19, 2017 and it currently trades under the symbol "VG" on the TSX Venture Exchange.

The head office, principal address and records office of the Company are located at 200 Burrard Street, Suite 650, Vancouver, British Columbia, V6C 3L6, Canada.

The Company is in the process of exploring and evaluating its resource properties and has not yet determined whether the properties contain ore reserves that are economically recoverable.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material. At December 31, 2017, the Company had not yet achieved profitable operations, has accumulated losses of $12,049,692 since its inception, and expects to incur further losses in the development of its business. This material uncertainty may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

## 2. BASIS OF PREPARATION

### Statement of compliance

These consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

### Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The consolidated financial statements are presented in Canadian dollars ("CAD").

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. A subsidiary is an entity in which the Company has control, directly or indirectly, where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. All material intercompany transactions and balances have been eliminated on consolidation.

Details of the Company's principal subsidiaries as at December 31, 2017 are as follows:

| Name | Place of incorporation | Ownership % | Principal activity |
|---|---|---|---|
| Sovereign Mines of Africa Limited | British Virgin Islands | 100% | Holding company |
| Sovereign Mines of Guinea Limited | British Virgin Islands | 75% | Holding company |
| Guiord SA | Republic of Guinea | 75% | Exploration company |

### Foreign Currency Translation

The functional currency is the currency of the primary economic environment in which the entity operations and has been determined for each entity within the Company. The functional currency for all entities within the corporate group is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standards ("IAS") 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of loss and comprehensive loss.

### Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants, and similar instruments is computed using the treasury stock method. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

### Exploration and evaluation - mineral properties

Pre-exploration costs are expensed as incurred. Costs related to the acquisition of mineral properties are capitalized by property, and costs related to the exploration and evaluation of mineral properties are expensed as incurred, until the property reaches development stage. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

### Exploration and evaluation - mineral properties (cont'd...)

Where the Company has entered into option agreements to acquire interests in mineral properties that provide for periodic payments or periodic share issuances, amounts unpaid and unissued are not recorded as liabilities since they are payable and issuable entirely at the Company's option. Option payments are recorded as mineral property costs when the payments are made and the share issuances are recorded as mineral property costs using the fair market value of the Company's common shares at the earlier of the date the counterparty's performance is complete or the share issuance date.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the mineral property. If payments received exceed the capitalized cost of the mineral property, the excess is recognized as income in the year received. The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

### Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### Decommissioning provision

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mineral properties, oil and gas interests, and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as the related asset.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

### Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. 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 and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Warrants issued by the Company typically accompany an issuance of shares in the Company (a "Unit"), and entitle the warrant holder to exercise the warrants for a stated price and a stated number of common shares in the Company. The value of the warrant components is measured using the residual value approach.

### Share-based payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. On the exercise of stock options, the applicable amounts of reserves are transferred to share capital and consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments, such as stock options and warrants, are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received. Upon expiry or forfeiture, the recorded value is transferred to deficit for stock options or share capital for warrants.

### Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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 date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the asset.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

**Financial instruments**

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of loss and comprehensive loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

*Other financial liabilities:* This category includes accounts payables and accrued liabilities, which is recognized at amortized cost.

The Company has classified its cash as fair value through profit and loss. The Company's receivables and long-term deposits are classified as loans and receivables. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

**New standards not yet adopted**

The Company will be required to adopt the following standard and amendments issued by the IASB as described below.

*IFRS 9 Financial Instruments*

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*

  Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".

- *Classification and measurement of financial liabilities:*

  When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

- *Impairment of financial assets:*

  An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

- *Hedge accounting:*

  Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

Effective for the Company's annual period beginning January 1, 2018. The Company does not anticipate the adoption of IFRS 9 will have a material impact on the Company's consolidated financial statements.

*IFRS 16 Leases*

Issued by IASB January 2016

Effective for annual periods beginning January 1, 2019

Earlier application permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers*.

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

**New standards not yet adopted** (cont'd...)

*IFRS 16 Leases* (cont'd...)

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Company is in the process of evaluating the impact of IFRS 16 on its Company's consolidated financial statements.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

The key areas of judgment applied in the preparation of the consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

a) The determination of the Company's and its subsidiaries' functional currency are determined based on management's assessment of the economic environment in which the entities operate.

b) The application of the Company's accounting policy for mineral property expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company.

   Assets or cash-generating units are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's mineral property assets.

   In respect of costs incurred for its investment in mineral property assets, management has determined there are indicators of impairment. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit, including geologic and metallurgic information, economics assessment/ studies, accessible facilities and existing permits.

c) Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

d) Although the Company has taken steps to identify any decommissioning liabilities related to mineral properties in which it has an interest, there may be unidentified decommissioning liabilities present.

e) Accounting for Mandiana project acquisition – During the year ended December 31, 2017, the Company issued shares to complete its acquisition of Sovereign Mines of Africa Limited which holds an indirect 75% interest the Mandiana project in Guinea (Note 6). Management determined that the transaction represented an acquisition of assets rather than a business combination because the mineral properties were in the exploration and evaluation stage and have not demonstrated technical feasibility, economic viability or the ability to provide economic benefit.

   The remaining 25% interest in the Mandiana project is held by SOGUIPAMI, a Guinea government-owned business. The Company has made the judgement to account for their interest as a non-controlling interest under IFRS 10.

f) Write off of deferred acquisition costs – During the year ended December 31, 2017, the Company entered into an agreement to acquire an indirect 80% interest in West African Mining Associates SARL, a private Guinean company which holds exploration and mining permits making up the WAMA project. The Company paid transaction costs of $28,887 on this transaction and advanced US$500,000 ($664,450) before making the judgement to not proceed beyond the initial phase and wrote off all capitalized costs as at December 31, 2017.

   The amount advanced, US$500,000, was provided as a non-interest bearing loan which would be applied toward payments under the agreement should the Company pursue the agreement, but would be repayable in the event the Company decided not to opt to proceed beyond the initial phase. The Company considers the loan amount as not being recoverable and as at December 31, 2017 made the judgement to impair the full balance based on their assessment of the low likelihood of recovery of this amount.

(Expressed in Canadian Dollars)

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (cont'd...)

The key estimates applied in the preparation of the consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

a) The Company may be subject to income tax in several jurisdictions and significant judgment is required in determining the provision for income taxes. During the ordinary course of business and on dispositions of mineral property or interests therein, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Company recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events, and interpretation of tax law. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

b) Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

## 5. PROPERTY AND EQUIPMENT

| | Computer equipment | Field equipment | Total |
|---|---|---|---|
| **Cost** | | | |
| Balance, December 31, 2015 | $ - | $ - | $ - |
| Additions | - | - | - |
| Balance, December 31, 2016 | - | - | - |
| Additions | 9,038 | 10,312 | 19,350 |
| **Balance, December 31, 2017** | **$ 9,038** | **$ 10,312** | **$ 19,350** |
| **Accumulated amortization** | | | |
| Balance, December 31, 2015 | $ - | $ - | $ - |
| Charge for period | - | - | - |
| Balance, December 31, 2016 | - | - | - |
| Charge for period | 1,202 | 773 | 1,975 |
| **Balance, December 31, 2017** | **$ 1,202** | **$ 773** | **$ 1,975** |
| **Carrying amounts** | | | |
| At December 31, 2016 | $ - | $ - | $ - |
| **At December 31, 2017** | **$ 7,836** | **$ 9,539** | **$ 17,375** |

## 6. MINERAL PROPERTIES

### Mandiana Project - Guinea

In 2016 the Company entered into an assignment agreement with Radius Gold Inc. ("Radius"), pursuant to which the Company was assigned a purchase agreement to acquire the Mandiana Project, a gold property located in Guinea, from Sovereign Mines of Africa PLC ("SMA").

On January 19, 2017, the Company completed the transaction and acquired all of the outstanding share capital of SMA's wholly owned subsidiary, Sovereign Mines of Africa Limited ("Sovereign Mines"), which, through its holdings in Guiord SA ("Guiord"), owns an indirect 75% interest in a series of exploration licences located in Guinea commonly referred to as the Mandiana Project. The remaining 25% interest in the Mandiana Project is held indirectly by SOGUIPAMI, a Guinea government-owned business entity which conducts exploration of mineral projects in Guinea. The 25% interest held by SOGUIPAMI is accounted for as a non-controlling interest (Note 7).

In consideration for acquiring the outstanding share capital of Sovereign Mines and for the assignment by Radius, the Company issued 2,502,489 common shares with a fair value of $1,201,195 to SMA and 1,263,883 common shares with a fair value of $606,664 to Radius. Each of SMA, Sovereign Mines and Radius were at arm's length to the Company at the time of the transaction.

All but one of the exploration licences comprising Guiord's landholding at Mandiana are in good standing until October 2018. The licence covering the northern portion of the Mandiana Project, in which the mineral resource occurs, has an expiry date of March 30, 2018. The Company submitted a two-year renewal application in the prescribed manner in advance of the expiry date, but the renewal process with the mining authority remains ongoing. Under Guinea mining law, this licence is not ordinarily permitted to be extended in the form of exploration tenure as the maximum number of renewals have previously been granted, but the mining authority is considering the Company's renewal application and has just completed an audit of the Company's operations and expenditures on this ground. No negative comments have been received as a result of this audit; however, whether the licence renewal will be approved is uncertain at this time.

The acquisition of the Mandiana Project has been accounted for as an asset acquisition. Amounts of $604,329 were recognized as non-controlling interest on acquisition (Note 7). Net identifiable liabilities assumed totalled $188,290. Of the purchase consideration, $2,605,605 was allocated to mineral property asset costs and $188,290 to accounts payable. Additional transaction costs of $5,127 were included in the purchase consideration.

### Seimana Project - Guinea

During the year ended December 31, 2017, the Company entered into a binding and exclusive Memorandum of Understanding (the "MOU") to acquire up to a 100% interest in the Seimana Project in Guinea. The Seimana Project comprises four exploration permits, which together adjoin both the Mandiana Project and the WAMA Project.

*MOU Terms*

Pursuant to the terms of the MOU, a cash payment of $24,096 (US$17,640) was made to the Seimana optionors, which was used to complete the renewal of the mineral tenures that comprise the Seimana Project. Subject to completion of satisfactory due diligence on title to the Seimana Project, the Company will have the exclusive option to acquire a 70% interest in the Seimana Project by incurring exploration expenditures of US$700,000 on the Seimana Project within 18 months of the effective date of the MOU, including expenditures of at least US$300,000 within the first 6 months. Once the Company has acquired the 70% interest, the remaining 30% interest in the Seimana Project held by the optionors will remain undiluted until such time as the Company has incurred aggregate exploration expenditures of US$2.0 million. Thereafter, the minority owners will have the right, but not the obligation, to participate in any project funding in proportion to their percentage ownership in the Project, or will be diluted proportionally.

As of December 31, 2017, the initial cash payment of $24,097 and additional transaction costs of $19,472 have been recorded as deferred acquisition costs.

## 6. MINERAL PROPERTIES (cont'd...)

### La Debo and Soubre Properties - Ivory Coast

Subsequent to the year ended December 31, 2017, the Company entered into a binding and exclusive Memorandum of Understanding (the "MOU") to acquire up to 100% ownership of JOFEMA Mineral Resources SARL ("JOFEMA"), a private company registered in the Ivory Coast. The assets of JOFEMA under option consist of exploration permits and exploration permit renewals known as La Debo and Soubre (the "Properties").

*MOU Terms*

Subject to the Company completing satisfactory due diligence and to stock exchange approval, the Company will have the exclusive right to acquire up to 100% of the issued shares of JOFEMA, by incurring exploration expenditures ("Expenditures") on the Properties over a period of three years totaling US$5,000,000, and making cash and share payments to JOFEMA. Within 90 days of the fulfilment of the Expenditures, the Company shall have the right to either:

a) Acquire an initial 65% interest in JOFEMA by paying US$2,000,000 in cash and US$2,000,000 in shares of the Company to JOFEMA, and thereafter, continuing to fund further exploration of the Properties. The other shareholders (the "Minority Shareholders") of JOFEMA may elect to co-fund such exploration pro rata to their own shareholding. Where the Minority Shareholders do not co-fund further exploration, then the Company may dilute them to 10% by incurring an additional US$3,750,000 in Expenditures.

   If the Minority Shareholders are diluted to a holding of less than 10% of the total issued share capital of JOFEMA, then the Company may, at any time thereafter, purchase the remaining equity of the Minority Shareholders for US$2,000,000 in cash and US$2,000,000 in shares of the Company, or the Company must, at the Minority Shareholders' election at any time after a period of 6 months from when their shareholding has been diluted, purchase the remaining JOFEMA equity for US$2,000,000 in cash and US$2,000,000 in shares of the Company.

or:

b) Acquire a 100% interest in JOFEMA by paying JOFEMA US$4,000,000 in cash, and US$4,000,000 in shares of the Company.

### WAMA Project, Guinea

During the year ended December 31, 2017, the Company entered into an agreement (the "Agreement") to acquire an indirect 80% interest in West African Mining Associates SARL ("WAMA"), a private Guinean company which owns two exploration permits and three mining permits (the "WAMA Project") adjoining the Mandiana Project.

*Agreement Terms*

The Company was granted the option (the "Option") to acquire 100% of the issued shares of a British Virgin Islands corporation ("BVI"), which would have held 80% of the issued shares of WAMA. In order to exercise the option, the Company was to:

a) Issue in stages over a period of 34 months a total of 12 million common shares of the Company pro-rata to the shareholders of BVI, and incur exploration expenditures on the WAMA Project in stages totalling at least $11.5 million. Of these expenditures, the Company was to spend during an initial 120 day period (extended to 140 days during the current period) ("Initial Phase") a minimum of $500,000 on evaluation exploration work including drill-testing (completed), after which the Company would decide if it wished to continue making the prescribed share issuances and exploration expenditures to complete the acquisition of BVI and the WAMA Project;

## 6. MINERAL PROPERTIES (cont'd...)

**WAMA Project** (cont'd...)

b) Assume, subject to certain conditions, US$9.1 million of debt (the "Debt") currently owing by WAMA to its principal shareholder (the "Debt Holder"). The Debt was to become payable by the Company only upon the definition by the Company of a minimum Mineral Resource prepared in a manner consistent with current definitions and requirements as set out by CIM and Canadian National Instrument 43-101 ("Minimum Resource") of 1.5 million ounces of gold at a minimum grade of 2.0 g/t gold on the WAMA Project. The Debt was to have been repaid partly in cash and partly in common shares of the Company. The Company initially made a non-interest bearing cash loan of $664,450 (US$500,000) to the Debt Holder during the year ended December 31, 2017 and recorded as a deferred acquisition cost, toward payment of the Debt, but this loan is to be repaid should the Company not opt to proceed beyond the Initial Phase; and

c) Issue warrants (the "Warrants") entitling the Debt Holder to purchase up to 6.0 million common shares of the Company exercisable for a period of five years at a price of $1.00 per share, to be exercisable (i) as to 50% at such time as the Company had completed its acquisition of 100% of BVI and had established the Minimum Resource, and (ii) as to 100% at such time as the Company had completed its acquisition of BVI and had established a Mineral Resource prepared in a manner consistent with current definitions and requirements as set out by CIM and Canadian National Instrument 43-101 of at least 2.0 million ounces of gold at a minimum grade of 2.0 g/t gold.

If the Company decided to proceed beyond the Initial Phase, the Agreement would have become subject to approval by the TSX Venture Exchange.

During the year ended December 31, 2017, the Company decided to not continue with the Option but instead, seek to enter into new option terms with WAMA. By December 31, 2017, the Company had discontinued negotiations for a new transaction with WAMA, and as a result, deferred acquisition costs totalling $693,337 were charged to operations during the year ended December 31, 2017.

(Expressed in Canadian Dollars)

## 7. NON-CONTROLLING INTEREST

Non-controlling interests ("NCI"s) in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Total comprehensive loss of the Company's subsidiary is attributed to the equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance. For the year ended December 31, 2017, 25% of the net assets of the Company's consolidated subsidiary, Guiord which holds the Mandiana mineral property, were attributable to its non-controlling interest. An NCI of $604,329 was recognized on the asset acquisition (Note 6). The value of the NCI at December 31, 2017 was $490,843 after accounting for losses allocated to NCI during the year of $113,486.

There were no non-controlling interests during the year ended December 31, 2016.

The Company adjusts the non-controlling interest by attributing a proportionate amount of the subsidiaries net identifiable assets. The Company also adjusts other comprehensive loss to reflect the new ownership interest. These adjustments are also recognized in equity.

Summarized financial information in relation to Guiord, before intra-group eliminations, is presented below together with amounts attributed to NCI:

| | Years ended December 31, 2017 | 2016 |
|---|---|---|
| Exploration expenses | $ (478,818) | $ - |
| Amortization | (928) | - |
| Foreign exchange gain (loss) | 25,803 | - |
| Loss after tax | $ (453,943) | $ - |
| Total loss and comprehensive income allocated to NCI | $ (113,486) | $ - |
| Dividends paid to NCI | $ - | $ - |
| Cash flows from operating activities | $ (453,015) | $ - |
| Net cash outflows | $ (453,015) | $ - |
| **As at December 31** | **2017** | **2016** |
| Current assets | $ 3,087 | $ - |
| Non-current assets | 2,617,049 | - |
| | 2,620,136 | - |
| Current liabilities | - | - |
| Non-current liabilities | (656,764) | - |
| | (656,764) | - |
| Net assets | $ 1,963,372 | $ - |
| Accumulated non-controlling interests | $ 490,843 | $ - |

(Expressed in Canadian Dollars)

## 8. EXPLORATION EXPENDITURES

During the year ended December 31, 2017, the Company incurred the following exploration expenditures:

| | Guinea | | | | |
|---|---|---|---|---|---|
| | **Mandiana** | **WAMA** | **Seimana** | **Other** | **Total** |
| Assaying | $ 55,852 | $ 46,403 | $ - | $ - | $ 102,255 |
| Drilling | 759,540 | 490,899 | - | - | 1,250,439 |
| Field expenses | 141,972 | 156,703 | 22,932 | - | 321,607 |
| Geophysics | 116,287 | - | - | - | 116,287 |
| Geological and other consulting | 255,742 | 77,918 | 17,827 | 73,949 | 425,436 |
| Licenses, rights and taxes | 42,627 | - | - | - | 42,627 |
| Office and administration | 23,134 | 14,633 | - | 24,851 | 62,618 |
| Project management | 78,150 | 47,250 | 13,500 | - | 138,900 |
| Salaries and benefits | 101,137 | - | - | - | 101,137 |
| Travel | 182,279 | 54,385 | - | 27,077 | 263,741 |
| | **$ 1,756,720** | **$ 888,191** | **$ 54,259** | **$ 125,877** | **$ 2,825,047** |

During the year ended December 31, 2016, the Company incurred exploration expenditures totalling $247,254 relating to property investigation activities in Guinea.

## 9. RELATED PARTY TRANSACTIONS

The Company had transactions during the years ended December 31, 2017 and 2016 with related parties consisting of directors, officers and the following companies with common directors:

| **Related party** | **Nature of transactions** |
|---|---|
| Radius | Shared administrative and exploration related charges |
| Gold Group Management Inc. (“Gold Group”) | Shared office and administrative related charges |
| Mill Street Services Ltd. (“Mill Street”) | Consulting services |
| Andros Capital Corp. (“Andros”) | Consulting services |

Balances and transactions with related parties not disclosed elsewhere in these consolidated financial statements are as follows:

a) During the years ended December 31, 2017 and 2016, the Company reimbursed Gold Group, a private company controlled by a director of the company, for the following costs:

| | **2017** | **2016** |
|---|---|---|
| General and administrative expenses: | | |
| Office and administration | $ 68,631 | $ - |
| Salaries and benefits | 85,825 | - |
| Shareholder communications | 2,491 | - |
| Transfer agent and regulatory fees | 7,999 | - |
| Travel and accommodation | 30,584 | - |
| | **$ 195,530** | **$ -** |

(Expressed in Canadian Dollars)

## 9. RELATED PARTY TRANSACTIONS (cont'd...)

Gold Group is reimbursed by the Company for certain shared costs and other business related expenses paid by Gold Group on behalf of the Company. Salaries and benefits for the year ended December 31, 2017 include those for the Chief Financial Officer and the Corporate Secretary.

b) During the year ended December 31, 2017, the Company reimbursed Radius, a company with a common director and officer, $55,051 (2016: $Nil) for personnel, investor relations and travel costs incurred on the Company's behalf.

c) During the year ended December 31, 2017, an amount of $49,750 owing to a director for past services was waived by the director and written off by the Company.

d) Long-term deposits as of December 31, 2017 consists of $61,000 (2016: $Nil) paid to Gold Group as a deposit pursuant to the Company's office and administrative services agreement with Gold Group.

e) Included in accounts payable and accrued liabilities as of December 31, 2017 was $18,411 (2016: $Nil) owing to Gold Group, $76,197 (2016: $160,000) owing to directors and officers of the Company, and $Nil (2016: $102,076) owing to Radius. The amount for Gold Group is due on a monthly basis and secured by a deposit. The amounts owing to directors and officers are unsecured, interest-free and have no specific terms of repayment.

The Company has identified certain of its directors and senior officers as its key management personnel. Included for the years ended December 31, 2017 and 2016 are the following items paid or accrued to key management personnel and/or companies with common directors.

| | 2017 | 2016 |
|---|---|---|
| General and administrative expenses: | | |
| Consulting and management fees | $ 163,200 | $ 60,000 |
| Salaries and benefits | 26,722 | - |
| Professional fees - accounting | 5,000 | 9,190 |
| Share-based compensation (value of stock option grants) | 1,034,838 | - |
| Exploration expenditures: | | |
| Project management | 138,900 | - |
| | **$ 1,368,660** | **$ 69,190** |

The value of stock option grants recorded as share-based compensation made to directors not specified as key management personnel during the year ended December 31, 2017 was $134,979 (2016: $Nil).

## 10. SHAREHOLDERS EQUITY

### a) Common shares

During the year ended December 31, 2017, the following share capital activity occurred:

i) On January 5, 2017, the Company closed a private placement of 6,666,667 units at $0.15 per unit for gross proceeds of $1,000,000, of which $301,567 had been received prior to December 31, 2016 and had been recorded as subscriptions received in advance. Each unit consists of one common share and one-half of one warrant, each whole warrant exercisable into one common share of the Company at $0.25 per share until January 5, 2018. The warrants are subject to an acceleration provision such that if the closing price of the Company's shares for 10 consecutive trading days is $0.40 or greater, the Company may give notice to the holders of the warrants that the warrants will expire 30 calendar days after receipt of such notice. In connection with this financing, the Company paid finders' fees of $9,765 cash, 241,733 common shares and 427,700 warrants, each warrant exercisable at $0.25 per share until January 5, 2018 and subject to the same acceleration provision as above. The fair value of the finders' fee shares was $55,599, based on a value of $0.23 per share, and recorded as share issuance costs. The fair value of the finders' fee warrants was $31,308 and was recorded as share issuance costs and an offset to other equity reserve. The fair value of each finders' fee warrant has been estimated as of the date of the issuance using the Black-Scholes pricing model with the following assumptions: risk-free interest rate of 0.62%, dividend yield of 0%, volatility of 89% and expected life of one year. Other share issuance costs associated with this financing totalled $14,570.

ii) On January 19, 2017, the Company issued 3,766,372 common shares valued at $1,807,859 for the acquisition of the Mandiana Project (Note 6).

iii) On March 9, 2017, the Company closed a private placement of 12,500,000 units at $0.40 per unit for gross proceeds of $5,000,000. Each unit consists of one common share and one warrant, each warrant exercisable into one common share of the Company at $0.80 per share until March 8, 2022. The warrants are subject to an acceleration provision such that if the closing price of the Company's shares for 10 consecutive trading days is $1.00 or greater, the Company may give notice to the holders of the warrants that the warrants will expire 30 calendar days after receipt of such notice. In connection with this financing, the Company paid finders' fees of $183,470 cash and 458,675 warrants, each warrant exercisable at $0.80 until March 8, 2022 and subject to the same acceleration provision as above. The fair value of the finders' fee warrants was $177,049 and was recorded as share issuance costs and an offset to other equity reserve. The fair value of each finders' fee warrant has been estimated as of the date of the issuance using the Black-Scholes pricing model with the following assumptions: risk-free interest rate of 1.25%, dividend yield of 0%, volatility of 89% and expected life of five years. Other share issuance costs associated with this financing totalled $29,026.

iv) A total of 8,082,500 warrants were exercised for gross proceeds of $420,625.

During the year ended December 31, 2016, the following share capital activity occurred:

i) The Company received advanced share subscriptions totalling $301,567 towards the private placement that closed on January 5, 2017.

(Expressed in Canadian Dollars)

## 10. SHAREHOLDERS EQUITY (cont'd...)

### b) Warrants

A summary of share purchase warrants activity from January 1, 2016 to December 31, 2017 is as follows:

| | Number of warrants | Weighted average exercise price |
|---|---|---|
| Balance, December 31, 2015 | 10,000,000 | $0.05 |
| Balance, December 31, 2016 | 10,000,000 | $0.05 |
| Issued on private placements | 16,719,709 | $0.68 |
| Exercised during the period | (8,082,500) | $0.05 |
| **Balance, December 31, 2017** | **18,637,209** | **$0.61** |

Details of warrants outstanding as of December 31, 2017 are:

| Expiry date | Number of warrants | Exercise price |
|---|---|---|
| January 5, 2018 | 427,700 | $0.25 |
| July 5, 2018(1) | 3,250,834 | $0.25 |
| January 17, 2019(2) | 2,000,000 | $0.05 |
| March 8, 2022 | 12,958,675 | $0.80 |
| | **18,637,209** | |

(1) In 2017, the Company extended the expiry date from January 5, 2018 to July 5, 2018
(2) In 2016, the Company extended the expiry date from January 17, 2017 to January 17, 2019

## 11. SHARE-BASED PAYMENTS

### Option Plan Details

The Company has a stock option plan whereby options may be granted to directors, employees, consultants and certain other service providers to encourage ownership of the Company's common shares. The Company may grant options for up to 10% of the issued and outstanding common shares. The term of any option granted under the plan may not exceed 10 years. The vesting periods for all options granted pursuant to the plan will be determined at the discretion of the Board of Directors at the time of the grant. The number of options granted to any one person may not exceed 5% of the outstanding listed common shares in a 12 month period.

The following is a summary of stock option activity during the year ended December 31, 2017:

| | | | | During the year | | | | |
|---|---|---|---|---|---|---|---|---|
| Grant date | Expiry date | Exercise price | Opening balance | Granted | Exercised | Forfeited / cancelled | Closing balance | Vested and exercisable |
| March 15, 2017 | March 14, 2027 | $0.60 | - | 3,850,000 | - | - | 3,850,000 | 3,850,000 |
| June 27, 2017 | June 26, 2027 | $0.60 | - | 225,000 | - | - | 225,000 | 225,000 |
| | | | - | 4,075,000 | - | - | 4,075,000 | 4,075,000 |
| **Weighted average exercise price** | | | - | $0.60 | - | - | $0.60 | $0.60 |

## 11. SHARE-BASED PAYMENTS (cont'd...)

### Fair Value of Options Issued

The weighted average fair value at grant date of options granted during the year ended December 31, 2017 was $0.45 per option. There were no options granted during the year ended December 31, 2016.

The weighted average remaining contractual life of the options outstanding at December 31, 2017 is 9.22 years.

*Options Issued to Employees*

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

*Options Issued to Non-Employees*

Options issued to non-employees are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted using the Black-Scholes option pricing model.

The model inputs for options granted during the year ended December 31, 2017 included a risk-free interest rate of 1.21%, dividend yield of 0%, volatility in the range of 106% to 108% and expected life of five years.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

### Expenses Arising from Share-based Payment Transactions

Total expenses arising from stock option grants during the year ended December 31, 2017 and recorded as share-based compensation expense was $1,830,353 (2016: $Nil).

As of December 31, 2017 and 2016, there were no unrecognized compensation costs related to unvested share-based payment awards.

(Expressed in Canadian Dollars)

## 12. INCOME TAXES

A reconciliation of income taxes (recovery) at statutory rates with the reported taxes for the years ended December 31, 2017 and 2016 are as follows:

| | 2017 | 2016 |
|---|---|---|
| Loss before income taxes | $ (6,516,838) | $ (429,543) |
| Expected income tax (recovery) | $ (1,694,000) | $ (112,000) |
| Non-deductible and other items | (115,000) | (1,000) |
| Change in foreign exchange and income tax rates | 408,000 | - |
| Change in unrecognized deductible temporary differences | 1,401,000 | 113,000 |
| Income tax recovery | **$ -** | **$ -** |

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

| | 2017 | Expiry Date Range | 2016 |
|---|---|---|---|
| Exploration and evaluation assets | $ 3,229,000 | N/A | $ 190,000 |
| Investment tax credits | 4,000 | 2020-2035 | 4,000 |
| Property and equipment | - | N/A | 5,000 |
| Share issue costs | 192,000 | 2037-2038 | 6,000 |
| Non-capital losses | 4,475,000 | 2027-2037 | 2,751,000 |
| | **$ 7,900,000** | | **$ 2,956,000** |

## 13. SEGMENT INFORMATION

The Company operates in a single reportable operating segment, being the exploration and development of mineral properties. The mineral property interests are located in the Republic of Guinea and substantially all of the exploration expenditures are incurred in the Republic of Guinea. Substantially all of the Company's other assets and expenditures are located and incurred in Canada.

## 14. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial assets and liabilities are classified in the in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significant of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quotes prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying value of receivables and accounts payable and accrued liabilities approximates fair value due to the short term nature of the financial instruments. Cash is valued at a level 1 fair value measurement and is classified as fair value through profit or loss. Receivables and long-term deposits are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other financial liabilities.

**Risk management**

The Company is exposed to varying degrees to a variety of financial instrument related risks:

*Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash is held at large Canadian financial institution in interest bearing accounts. The Company has no investment in asset backed commercial paper.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through its capital management as outlined below. Accounts payable and accrued liabilities are due within one year.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on cash. The Company's practice has been to invest cash at floating rates of interest, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash as they are generally held with large financial institutions. As at December 31, 2017, the Company is not exposed to significant interest rate risk.

## 14. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)

*Market risk* (cont'd...)

b) Foreign currency risk

The Company is exposed to financial risk related to the fluctuation of foreign currency rates. The Company operates in Canada and the Republic of Guinea. A substantial portion of the Company's expenses are incurred in US dollars. A significant change in the currency exchange rate between the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. As at December 31, 2017 and 2016, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

| | 2017 | | 2016 |
|---|---|---|---|
| | **US Dollars (CDN equivalent)** | **Guinea Franc (CDN equivalent)** | **US Dollars (CDN equivalent)** |
| Cash | $ 20,134 | $ - | $ 18,295 |
| Amounts receivable | - | 2,638 | - |
| Accounts payable and accrued liabilities | (56,997) | - | - |
| **Net exposure** | **$ (36,863)** | **$ 2,638** | **$ 18,295** |

Based on the above net exposure as at December 31, 2017, and assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in an increase/decrease of approximately $3,400 in the Company's net loss and comprehensive loss for the year ended December 31, 2017 (2016: $1,800).

c) Price risk

The Company is exposed to price risk with respect to commodity prices, particularly gold. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

## 15. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue acquisition, exploration and development of mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

The Company does not expect its capital resources as of December 31, 2017 to be sufficient to cover its corporate operating costs and carry out planned exploration activities for the next twelve months. As such, the Company will seek to raise additional capital and believes it will be able to do so, but recognizes the uncertainty attached thereto.

## 16. SUPPLEMENTARY CASH FLOW INFORMATION

No cash was paid for interest or taxes for the years ended December 31, 2017 and 2016.

During the year ended December 31, 2017, significant non-cash investing and financing transactions included the following:

a) As part of the acquisition of the Mandiana project (Note 6) the Company:
   i) issued 3,766,372 common shares valued at $1,807,859;
   ii) recognized additional accounts payable of $188,290; and
   iii) recognized a non-controlling interest of $604,329;

b) On private placements (Note 10) the Company:
   i) issued 241,733 common shares with a fair value of $55,599 as finders fees;
   ii) issued 886,375 finders warrants valued at $208,357; and
   iii) recognized $301,567 in share subscriptions received in the year ended December 31, 2016.

There were no significant non-cash investing and financing transactions during the year ended December 31, 2016.

## 17. CHANGE IN PRESENTATION

The Company has reclassified certain prior period expenses to conform to the current year presentation of expenses.

## 18. SUBSEQUENT EVENTS

Subsequent to December 31, 2017, the following events which have not been disclosed elsewhere in these consolidated financial statements have occurred:

a) 427,700 share purchase warrants with an exercise price of $0.25 per share expired.