

# **GOLDBANK MINING CORPORATION**

Consolidated Financial Statements  
Years Ended December 31, 2017 and 2016  
(Expressed in Canadian dollars)

## INDEPENDENT AUDITORS' REPORT

### To the Shareholders of Goldbank Mining Corporation

We have audited the accompanying consolidated financial statements of Goldbank Mining Corporation, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of operations and comprehensive loss, changes in equity, and cash flows 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 involves evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 Goldbank Mining Corporation 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 of the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Goldbank Mining Corporation to continue as a going concern.



Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

April 29, 2018

**GOLDBANK MINING CORPORATION**Consolidated statements of financial position  
(Expressed in Canadian dollars)

	December 31, 2017 \$	December 31, 2016 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	11,254	3,049
Marketable securities (Note 3)	330,000	120,000
Amounts receivable	10,140	17,346
<b>Total current assets</b>	<b>351,394</b>	<b>140,395</b>
<b>Non-current assets</b>		
Property and equipment (Note 4)	11,747	16,782
Exploration and evaluation assets (Note 5)	4,749,843	4,246,873
<b>Total non-current assets</b>	<b>4,761,590</b>	<b>4,263,655</b>
<b>Total assets</b>	<b>5,112,984</b>	<b>4,404,050</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	6,795,547	6,328,287
Loans payable (Note 7)	160,516	429,225
Due to related parties (Note 8)	10,848	10,848
<b>Total liabilities</b>	<b>6,966,911</b>	<b>6,768,360</b>
<b>Shareholders' deficit</b>		
Share capital	22,623,576	19,712,622
Share-based payment reserve	2,285,859	2,285,859
Share subscriptions received (Note 9)	362,400	362,400
Share subscriptions receivable (Note 9)	(729,900)	–
Deficit	(26,395,862)	(24,725,191)
<b>Total shareholders' deficit</b>	<b>(1,853,927)</b>	<b>(2,364,310)</b>
<b>Total liabilities and shareholders' deficit</b>	<b>5,112,984</b>	<b>4,404,050</b>

Nature of operations and continuance of business (Note 1)  
Subsequent event (Note 16)

Approved and authorized for issuance on behalf of the Board of Directors on April 29, 2018:

/s/ "James Boyce"

James Boyce, Director

/s/ "Barry Brown"

Barry Brown, Director

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

## **GOLDBANK MINING CORPORATION**

Consolidated statements of operations and comprehensive loss  
(Expressed in Canadian dollars)

	Year ended December 31, 2017 \$	Year ended December 31, 2016 \$
Expenses		
Consulting fees (Note 8)	–	500
Corporate administration (Note 8)	74,773	93,939
Interest and bank charges (Note 8)	1,514,990	1,152,473
Investor relations	15,000	–
Management fees (Note 8)	73,500	186,000
Office and miscellaneous (Note 8)	46,692	60,343
Professional fees (Note 8)	21,000	21,045
Property investigation costs (Note 8)	6,359	4,425
Rent (Note 8)	27,600	27,600
Transfer agent and regulatory fees	23,601	14,211
<b>Total expenses</b>	<b>1,803,515</b>	<b>1,560,536</b>
<b>Loss before other income (expense)</b>	<b>(1,803,515)</b>	<b>(1,560,536)</b>
Other income (expense)		
Gain on settlement of loan receivable	–	50,000
Loss on settlement of debt (Note 9)	(77,156)	–
Unrealized gain (loss) on marketable securities (Note 3)	210,000	(158,000)
Write-off of accounts payable	–	122,057
<b>Total other income (expense)</b>	<b>132,844</b>	<b>14,057</b>
<b>Net loss and comprehensive loss for the year</b>	<b>(1,670,671)</b>	<b>(1,546,479)</b>
<b>Loss per share, basic and diluted</b>	<b>(0.03)</b>	<b>(0.05)</b>
<b>Weighted average shares outstanding</b>	<b>47,775,321</b>	<b>30,515,172</b>

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

## GOLDBANK MINING CORPORATION

Consolidated statements of changes in equity (deficit)  
(Expressed in Canadian dollars)

	Share capital		Share-based payment reserve \$	Share subscriptions received \$	Share subscriptions receivable \$	Deficit \$	Total shareholders' equity (deficit) \$
	Number of shares	Amount \$					
Balance, December 31, 2015	29,673,915	19,285,622	2,285,859	362,400	–	(23,178,712)	(1,244,831)
Shares issued pursuant to mineral property option agreement	300,000	27,000	–	–	–	–	27,000
Shares issued pursuant to private placements – flow-through	8,000,000	400,000	–	–	–	–	400,000
Net loss for the year	–	–	–	–	–	(1,546,479)	(1,546,479)
Balance, December 31, 2016	37,973,915	19,712,622	2,285,859	362,400	–	(24,725,191)	(2,364,310)
Shares issued pursuant to mineral property option agreement	300,000	25,500	–	–	–	–	25,500
Shares issued pursuant to the exercise of warrants	2,752,630	344,079	–	–	(28,250)	–	315,829
Shares issued pursuant to private placements	20,000,000	1,950,000	–	–	(701,650)	–	1,248,350
Shares issued to settle accounts payable	3,857,777	597,955	–	–	–	–	597,955
Share issuance costs	–	(6,580)	–	–	–	–	(6,580)
Net loss for the year	–	–	–	–	–	(1,670,671)	(1,670,671)
Balance, December 31, 2017	64,884,322	22,623,576	2,285,859	362,400	(729,900)	(26,395,862)	(1,853,927)

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

**GOLDBANK MINING CORPORATION**Consolidated statements of cash flows  
(Expressed in Canadian dollars)

	Year ended December 31, 2017 \$	Year ended December 31, 2016 \$
Operating activities		
Net loss for the year	(1,670,671)	(1,546,479)
Items not involving cash:		
Gain on settlement of loan receivable	–	(50,000)
Loss on settlement of accounts payable	76,956	–
Unrealized loss (gain) on marketable securities	(210,000)	158,000
Write-off of accounts payable	–	(122,057)
Changes in non-cash operating working capital:		
Amounts receivable	7,206	3,287
Accounts payable and accrued liabilities	711,469	1,304,119
Net cash used in operating activities	(1,085,040)	(253,130)
Investing activities		
Exploration and evaluation asset expenditures	(231,485)	(52,420)
Net cash used in investing activities	(231,485)	(52,420)
Financing activities		
Proceeds from loans payable	–	51,835
Repayments of loans payable	(232,869)	(195,500)
Proceeds from issuance of shares and share subscriptions received	1,564,179	400,000
Share issuance costs	(6,580)	–
Net cash provided by financing activities	1,324,730	256,335
Change in cash	8,205	(49,215)
Cash, beginning of year	3,049	52,264
Cash, end of year	11,254	3,049
Non-cash investing and financing activities:		
Depreciation of property and equipment included in exploration and evaluation assets	5,035	7,192
Exploration and evaluation asset expenditures included in accounts payable	240,950	162,558
Shares issued for mineral property option agreement	25,500	–
Shares issued for settlement of accounts payable	597,955	–

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

# **GOLDBANK MINING CORPORATION**

Notes to the consolidated financial statements

Years ended December 31, 2017 and 2016

(Expressed in Canadian dollars)

## **1. Nature of Operations and Continuance of Business**

Goldbank Mining Corporation (the “Company”) was incorporated in the province of British Columbia on August 22, 1967. The Company is listed on the TSX Venture Exchange, under the symbol GLB. The Company’s registered address is located at Suite 702, 889 West Pender Street, Vancouver, BC, V6C 3B2.

The Company is an exploration stage company in the process of exploring its mineral property in Canada and has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of amounts spent for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its property, and upon future profitable production or proceeds from disposition of the properties. The operations of the Company will require various licences and permits from various governmental authorities which are or may be granted subject to various conditions and may be subject to renewal from time to time. There can be no assurance that the Company will be able to comply with such conditions and obtain or retain all necessary licences and permits that may be required to carry out exploration, development, and mining operations at its projects. Failure to comply with these conditions may render the licences liable to forfeiture.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2017, the Company has not generated any revenues from operations, has a working capital deficiency of \$6,615,517, and has an accumulated deficit of \$26,395,862. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is pursuing additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

## **2. Significant Accounting Policies**

### **(a) Basis of Presentation**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) on a going concern basis.

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: Canadian incorporated subsidiaries, Goldbank Eastern Klondike Properties Inc.; Ballad Minerals Ltd. (inactive) and Ballad Technologies Ltd. (inactive); Peruvian incorporated subsidiaries: Ballad Enterprises Del Peru S.R. Ltda. (inactive), Ballad Exploration S.A. (inactive), and TVX Minera Del Peru S.A. (inactive); and Argentinian subsidiary, Compania Minera San Antonia (inactive). All significant inter-company balances and transactions have been eliminated on consolidation.

These consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is also the Company’s functional currency.

# GOLDBANK MINING CORPORATION

Notes to the consolidated financial statements

Years ended December 31, 2017 and 2016

(Expressed in Canadian dollars)

## 2. Significant Accounting Policies (continued)

### (b) Use of Estimates and Judgments

The preparation of these consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include useful life and recoverability of property and equipment, recoverability of exploration and evaluation assets, fair value of share-based compensation, determination of flow-through premiums, and unrecognized deferred income tax assets. Actual results could differ from those estimates.

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions may change if new information becomes available. If information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the consolidated statement of operations in the period when the new information becomes available.

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

### (c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

### (d) Property and Equipment

The Company depreciates the cost of property and equipment over their estimated useful lives at the following annual rates:

Automotive	30%	declining balance basis
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### (e) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are charged to the consolidated statement of operations.

Exploration and evaluation assets are assessed for impairment if: (i) sufficient data exists to determine technical feasibility and commercial viability; and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

## **GOLDBANK MINING CORPORATION**

Notes to the consolidated financial statements

Years ended December 31, 2017 and 2016

(Expressed in Canadian dollars)

### **2. Significant Accounting Policies (continued)**

#### **(e) Exploration and Evaluation Expenditures (continued)**

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

#### *Mineral Property Options*

The Company does not record any expenditures made by the optionee in its accounts. It also does not recognize any gain or loss on its exploration and evaluation option arrangements but re-designates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained and any consideration received directly from the optionee is credited against costs previously capitalized.

#### **(f) Impairment of Non-Current Assets**

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the consolidated statement of operations.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the consolidated statement of operations.

## **GOLDBANK MINING CORPORATION**

Notes to the consolidated financial statements

Years ended December 31, 2017 and 2016

(Expressed in Canadian dollars)

### **2. Significant Accounting Policies (continued)**

#### **(g) Reclamation and Remediation Provisions**

The Company recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability including risks specific to the countries in which the related operation is located.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant and equipment. These costs are depreciated using either the unit-of-production or straight-line method depending on the asset to which the obligation relates.

The obligation is increased for the accretion and the corresponding amount is recognized as a finance expense. The obligation is also adjusted for changes in the estimated timing, amount of expected future cash flows, and changes in the discount rate. Such changes in estimates are added to or deducted from the related asset except where deductions are greater than the carrying value of the related asset in which case, the amount of the excess is recognized in the consolidated statements of operations.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases and changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available.

#### **(h) Financial Instruments**

##### **(i) Non-derivative financial assets**

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

## **GOLDBANK MINING CORPORATION**

Notes to the consolidated financial statements

Years ended December 31, 2017 and 2016

(Expressed in Canadian dollars)

### **2. Significant Accounting Policies (continued)**

#### (h) Financial Instruments (continued)

##### (i) Non-derivative financial assets (continued)

###### *Financial assets at fair value through profit or loss*

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in the consolidated statement of operations. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company's cash and marketable securities are classified as fair value through profit or loss.

###### *Held-to-maturity investments*

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

###### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to the consolidated statement of operations. The Company does not have any assets classified as available-for-sale.

###### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables are comprised of amounts receivable.

###### *Impairment of financial assets*

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to the consolidated statement of operations in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

## **GOLDBANK MINING CORPORATION**

Notes to the consolidated financial statements

Years ended December 31, 2017 and 2016

(Expressed in Canadian dollars)

### **2. Significant accounting policies (continued)**

#### (h) Financial instruments (continued)

##### (i) Non-derivative financial assets (continued)

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statement of operations.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through the consolidated statement of operations are not reversed through the consolidated statement of operations. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

##### (ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities, loans payable, and amounts due to related parties.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

##### (iii) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

## **GOLDBANK MINING CORPORATION**

Notes to the consolidated financial statements

Years ended December 31, 2017 and 2016

(Expressed in Canadian dollars)

### **2. Significant accounting policies (continued)**

#### **(i) Foreign Currency Translation**

The functional and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the consolidated statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the consolidated statement of operations.

#### **(j) Income Taxes**

##### *Current income tax*

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

##### *Deferred income tax*

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

#### **(k) Flow-through Shares**

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the deferred income tax liability associated with the renounced tax deductions is recognized through the consolidated statement of operations with a pro-rata portion of the deferred premium.

#### **(l) Comprehensive Loss**

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the consolidated statement of operations.

## **GOLDBANK MINING CORPORATION**

Notes to the consolidated financial statements

Years ended December 31, 2017 and 2016

(Expressed in Canadian dollars)

### **2. Significant Accounting Policies (continued)**

#### **(m) Loss Per Share**

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all “in the money” stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at December 31, 2017, the Company had 30,933,333 (2016 – 24,091,227) potentially dilutive shares outstanding.

#### **(n) Share-based Payments**

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled, share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The fair value of the options is measured at the grant date using the Black-Scholes option pricing model. The fair value is recognized as an expense over the vesting period, which is the period over which all of the specified vesting conditions are satisfied with a corresponding increase in equity. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. Non-market vesting conditions are considered in making assumptions about the number of awards that are expected to vest. When the options are exercised, any proceeds received are credited to share capital along with the amount reflected in share-based payment reserve.

#### **(o) Reclassifications**

Certain of the prior year figures were reclassified to conform to the current year’s presentation.

#### **(p) Accounting Standards Issued But Not Yet Effective**

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2017, and have not been applied in preparing these consolidated financial statements.

New standard IFRS 9, “Financial Instruments”

Amended standard IFRS 2, “Share-based Payment”

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the Company’s consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s consolidated financial statements.

## GOLDBANK MINING CORPORATION

Notes to the consolidated financial statements

Years ended December 31, 2017 and 2016

(Expressed in Canadian dollars)

### 3. Marketable Securities

As at December 31, 2017, the Company held 1,500,000 (2016 – 1,500,000) shares of Empire Metals Corp. (formerly Empire Rock Minerals Inc.) (“Empire”) with a fair value of \$330,000 (2016 - \$120,000). During the year ended December 31, 2017, the Company recorded an unrealized gain of \$210,000 (2016 - \$158,000 unrealized loss) which is included in the consolidated statement of operations. The fair value of the Empire shares was determined by the quoted market price on the consolidated statement of financial position date.

### 4. Property and Equipment

	Automotive \$
Cost:	
Balance, December 31, 2015 and 2016	50,333
Additions	—
Balance, December 31, 2017	50,333
Accumulated depreciation:	
Balance, December 31, 2015	26,359
Additions	7,192
Balance, December 31, 2016	33,551
Additions	5,035
Balance, December 31, 2017	38,586
Carrying amounts:	
As at December 31, 2016	16,782
As at December 31, 2017	11,747

### 5. Exploration and Evaluation Assets

	Leota Gold \$
<i>Acquisition Costs:</i>	
Balance, December 31, 2016	2,019,005
Additions	125,500
Balance, December 31, 2017	2,144,505
<i>Exploration Costs:</i>	
Balance, December 31, 2016	2,227,868
Depreciation	5,035
Geological(Note 8)	243,404
Legal	124,369
Travel and accommodations (Note 8)	4,662
Balance, December 31, 2017	2,605,338
Net carrying value, December 31, 2017	4,749,843

## GOLDBANK MINING CORPORATION

Notes to the consolidated financial statements

Years ended December 31, 2017 and 2016

(Expressed in Canadian dollars)

### 5. Exploration and Evaluation Assets (continued)

	Leota Gold \$
<i>Acquisition Costs:</i>	
Balance, December 31, 2015	1,992,005
Additions	27,000
<u>Balance, December 31, 2016</u>	<u>2,019,005</u>
<i>Exploration Costs:</i>	
Balance, December 31, 2015	2,005,698
Assays	16,508
Claims maintenance	10,999
Depreciation	7,192
Fieldwork (Note 8)	110,833
Professional fees	26,461
Travel and accommodations (Note 8)	50,177
<u>Balance, December 31, 2016</u>	<u>2,227,868</u>
<u>Net carrying value, December 31, 2016</u>	<u>4,246,873</u>

#### Leota Gold Project – Klondike, Yukon

On June 8, 2010, the Company entered into a property option agreement (the “Leota Agreement”) to acquire up to a 100% right, title and interest in 835 hard rock mining claims called the Leota Gold Property located on the Klondike Goldfields in the Dawson Mining District, Yukon Territory, Canada.

To earn this interest, the Company must issue a total of 2,400,000 common shares as follows:

To acquire 51% interest:

- 400,000 shares to be issued within 15 days of the date of TSX Venture Exchange acceptance for the filing of the Leota Agreement (issued); and
- 800,000 shares to be issued on or before the earlier of 10 days following receipt by the Company of a positive National Instrument 43-101 compliant report recommending further exploration or February 28, 2011 (issued).

To acquire an additional 24% interest:

- 400,000 shares to be issued on or before October 15, 2011 (issued); and
- 200,000 shares to be issued on or before October 15, 2012 (issued).

To acquire an additional 25% interest:

- 200,000 shares to be issued on or before October 15, 2013 (issued); and
- 400,000 shares to be issued on or before October 15, 2014 (issued).

Upon the Company receiving a positive feasibility study confirming more than 4 million ounces of gold or gold equivalent reserve on the Leota Gold Property, or if the Company produces more than 4 million ounces of gold from the Leota Gold Property, then the Company will, after regulatory approval, be required to allot and issue a further 400,000 common shares to the vendors.

The optionors retain a 3% net smelter royalty (“NSR”), up to one-half of which may be bought out by the Company at any time for one or more payments of \$500,000 for each 0.5% of the NSR totalling \$1,500,000. The Company is the operator.

## GOLDBANK MINING CORPORATION

Notes to the consolidated financial statements

Years ended December 31, 2017 and 2016

(Expressed in Canadian dollars)

### 5. Exploration and Evaluation Assets (continued)

#### Leota Gold Project – Klondike, Yukon (continued)

The Company requested that the vendors complete a title transfer for the 75% interest acquired and filed a court action against the vendors to comply. On September 30, 2016, the Company acquired an additional 12.5% by issuing 300,000 common shares to one of the vendors. The vendor then transferred his 50% interest in the Leota Gold Property to the Company. Refer to Note 8(h). The Company then continued its claim against the other vendor to transfer the transfer 75% of the remaining 50% interest in the Leota Gold Property acquired by the Company. On June 2, 2017, the Company issued 300,000 common shares to the other vendor to complete the final acquisition payment for the Leota Gold Property and became the 100% registered owner. Refer to Note 9(a). All previous litigation relating to the Leota Gold Property has ended.

#### *Hasenfuss Gold Claims – Klondike, Yukon*

On October 1, 2010, the Company entered into an option agreement to acquire two claims contiguous with the Company's Leota Gold Project. The two Hasenfuss Quartz Mining claims had been optioned from two private individuals for a total of \$60,000. During the year ended December 31, 2010, the Company paid \$10,000 in acquisition costs. On July 6, 2011, the Company acquired 100% of the Hasenfuss Quartz mineral claims by making the \$50,000 payment. The acquisition costs were included with Leota Gold Project. The claims are subject to a 2% net smelter returns royalty.

### 6. Accounts Payable and Accrued Liabilities

	2017	2016
	\$	\$
Trade payables	84,870	83,163
Related party payables (Note 8)	6,665,838	6,219,728
Accrued professional fees	9,000	9,000
Accrued interest payable	35,839	16,396
	<u>6,795,547</u>	<u>6,328,287</u>

### 7. Loans Payable

- (a) As at December 31, 2017, the amount of \$nil (2016 - \$5,500) is owed to a company controlled by a significant shareholder of the Company. The amount due bears interest at 8% per annum, is unsecured, and is due on demand.
- (b) As at December 31, 2017, the total amount of \$160,516 (2016 - \$423,725) is owed to a significant shareholder of the Company and companies controlled by the significant shareholder of the Company.

### 8. Related Party Transactions

- (a) As at December 31, 2017, the amount of \$68,573 (2016 - \$513,773) was owed to the President of the Company and a company controlled by the President of the Company. Of this amount, \$57,724 (2016 - \$502,925) was recorded in accounts payable and accrued liabilities. The amounts due are non-interest bearing, unsecured, and due on demand.

## **GOLDBANK MINING CORPORATION**

Notes to the consolidated financial statements

Years ended December 31, 2017 and 2016

(Expressed in Canadian dollars)

### **8. Related Party Transactions** (continued)

- (b) As at December 31, 2017, the amount of \$6,608,114 (2016 - \$5,716,804) was owed to a significant shareholder of the Company and companies controlled by the significant shareholder of the Company, which was recorded in accounts payable and accrued liabilities. Of this amount, \$6,555,353 (2016 - \$5,549,766) bears interest at 2% per month, is unsecured, and is due on demand. In addition, \$53,247 (2016 - \$53,247) of this amount bears interest at 10% per annum, is unsecured, and is due on demand. As at December 31, 2017, the Company has recorded accrued interest of \$35,839 (2016 - \$13,249) in accounts payable and accrued liabilities.
- (c) During the year ended December 31, 2017, the Company incurred corporate administration and management fees of \$36,000 (2016 - \$nil) and \$36,000 (2016 - \$36,000), respectively, to a company controlled by the President of the Company.
- (d) During the year ended December 31, 2017, the Company incurred property investigation costs of \$6,359 (2016 - \$4,425) to a company controlled by the Chief Financial Officer of the Company.
- (e) During the year ended December 31, 2017, the Company incurred consulting fees of \$nil (2016 - \$500) to a company controlled by a director of the Company.
- (f) During the year ended December 31, 2017, the Company incurred the following expenditures to a significant shareholder of the Company and companies controlled by the significant shareholder of the Company:
- Corporate administration costs of \$38,773 (2016 - \$57,682);
  - Interest expense of \$1,444,970 (2016 - \$1,142,693);
  - Management fees of \$37,500 (2016 - \$150,000);
  - Office and miscellaneous expenses of \$nil (2016 - \$nil);
  - Professional fees of \$12,000 (2016 - \$12,000);
  - Rent of \$27,600 (2016 - \$27,600);
  - Fieldwork of \$nil (2016 - \$110,833);
  - Geological costs of \$240,950 (2016 - \$nil); and
  - Travel and accommodations of \$4,662 (2016 - \$50,177).

### **9. Share Capital**

Authorized: Unlimited common shares without par value

Share transactions for the year ended December 31, 2017:

- (a) On June 2, 2017, the Company issued 300,000 common shares with a fair value of \$25,500 to complete the final acquisition payment for the Leota Gold Property and become the registered owner of a 100% legal and beneficial interest. Refer to Note 5.
- (b) On June 16, 2017, the Company issued 52,632 common shares for proceeds of \$6,579 pursuant to the exercise of share purchase warrants.
- (c) On June 20, 2017, the Company issued 2,699,998 common shares for proceeds of \$337,500 pursuant to the exercise of share purchase warrants.
- (d) On July 18, 2017, the Company issued 5,516,666 non flow-through units at \$0.075 per unit for proceeds of \$413,750. Each unit consisted of one common share and one-half of one share purchase warrant with one whole warrant entitling the holder to purchase one additional common share at a price of \$0.15 per share expiring on July 18, 2020. Included in this issuance were 1,600,000 units for proceeds of \$120,000 to a company controlled by a significant shareholder of the Company.

## **GOLDBANK MINING CORPORATION**

Notes to the consolidated financial statements

Years ended December 31, 2017 and 2016

(Expressed in Canadian dollars)

### **9. Share Capital (continued)**

- (e) On July 18, 2017, the Company issued 4,483,334 flow-through units at \$0.075 per unit for proceeds of \$336,250. Each unit consisted of one flow-through common share and one-half of one share purchase warrant with one whole warrant entitling the holder to purchase one additional flow-through common share at a price of \$0.15 per share expiring on July 18, 2020. Included in this issuance were 4,000,000 flow-through units for proceeds of \$300,000 to a company controlled by this significant shareholder of the Company.
- (f) On September 15, 2017, the Company issued 3,857,777 common shares with a fair value of \$597,955 to settle accounts payable of \$520,799 owing to a company controlled by the President of the Company. This resulted in a loss of settlement of debt of \$77,156.
- (g) On October 4, 2017, the Company issued 6,325,000 non flow-through units at \$0.12 per unit for proceeds of \$759,000. Each unit consisted of one common share and one-half of one share purchase warrant with one whole warrant entitling the holder to purchase one additional common share at a price of \$0.18 per share expiring on October 4, 2020. Included in this issuance were 2,500,000 units for proceeds of \$300,000 to a company controlled by a significant shareholder of the Company.
- (h) On October 4, 2017, the Company issued 3,675,000 flow-through units at \$0.12 per unit for proceeds of \$441,000. Each unit consisted of one flow-through common share and one-half of one share purchase warrant with one whole warrant entitling the holder to purchase one additional flow-through common share at a price of \$0.18 per share expiring on October 4, 2020. Included in this issuance were 2,500,000 flow-through units for proceeds of \$300,000 to a significant shareholder of the Company.
- (i) As at December 31, 2017, the Company had share subscriptions received of \$362,400 (2016 - \$362,400) from a company controlled by the President of the Company.
- (j) As at December 31, 2017, the Company had share subscriptions receivable of \$729,900 (2016 - \$nil) relating to shares issued during the year.

Share transactions for the year ended December 31, 2016:

- (k) On September 30, 2016, the Company issued 300,000 common shares with a fair value of \$27,000 pursuant to a mineral property option agreement. Refer to Note 5.
- (l) On December 20, 2016, the Company issued 8,000,000 flow-through units at \$0.05 per unit for total proceeds of \$400,000, of which 4,000,000 units for proceeds of \$200,000 were issued to a significant shareholder of the Company and 4,000,000 units for proceeds of \$200,000 were issued to a company under common control. Each unit consisted of one flow-through common share and one transferrable share purchase warrant with each warrant entitling the holder to purchase an additional flow-through common share at a price of \$0.06 per share expiring on December 20, 2020. There was no flow-through premium as the flow-through shares were issued at a lower price than the closing price of the Company's common shares.

## GOLDBANK MINING CORPORATION

Notes to the consolidated financial statements

Years ended December 31, 2017 and 2016

(Expressed in Canadian dollars)

### 10. Share Purchase Warrants

The following table summarizes the continuity of common share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Balance, December 31, 2015	16,691,227	0.08
Issued	8,000,000	0.06
Expired	(600,000)	0.50
Balance, December 31, 2016	24,091,227	0.06
Issued	10,000,000	0.17
Exercised	(2,752,630)	0.13
Expired	(405,264)	0.13
Balance, December 31, 2017	30,933,333	0.09

As at December 31, 2017, the following common share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
1,000,000	0.05	December 29, 2018
8,333,333	0.125	December 31, 2018
3,600,000	0.05	April 29, 2019
5,000,000	0.15	July 18, 2020
5,000,000	0.18	October 4, 2020
8,000,000	0.06	December 20, 2020
<u>30,933,333</u>		

### 11. Stock Options

On September 20, 2017, the Company adopted a new stock option plan pursuant to which options may be granted to directors, officers, employees and consultants of the Company. The exercise price is determined by the Board of Directors, subject to the Discounted Market Price policies of the TSX Venture Exchange. The aggregate number of shares issuable pursuant to stock options granted under the plan is limited to 10% of the issued and outstanding shares at the time of grant.

### 12. Segmented Information

The Company operates in one industry and geographic segment, the mineral resource industry with all current exploration activities conducted in Canada.

## GOLDBANK MINING CORPORATION

Notes to the consolidated financial statements

Years ended December 31, 2017 and 2016

(Expressed in Canadian dollars)

### 13. Financial Instruments and Risks

#### (a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at December 31, 2017 as follows:

	Fair value measurements using			Balance, December 31, 2017 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Cash	11,254	–	–	11,254
Marketable securities	330,000	–	–	330,000
<b>Total assets measured at fair value</b>	<b>341,254</b>	<b>–</b>	<b>–</b>	<b>341,254</b>

The fair values of other financial instruments, which include amounts receivable, accounts payable and accrued liabilities, loans payable, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

#### (b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and amounts receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Amounts receivable consist of GST refunds due from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

#### (c) Foreign Exchange Rate and Interest Rate Risk

The Company is not exposed to any significant foreign exchange rate or interest rate risk.

#### (d) 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 currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

#### (e) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

### 14. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital, share-based payment reserve, and share subscriptions received/receivable.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

## GOLDBANK MINING CORPORATION

Notes to the consolidated financial statements

Years ended December 31, 2017 and 2016

(Expressed in Canadian dollars)

### 15. Capital Management (continued)

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2016.

### 15. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2017 \$	2016 \$
Canadian statutory income tax rate	26%	26%
Income tax recovery at statutory rate	(434,374)	(402,085)
Tax effect of:		
Permanent differences and other	1,468	14,598
Change in enacted tax rate	(92,563)	—
Change in unrecognized deferred income tax assets	525,469	387,487
Income tax provision	—	—

The significant components of deferred income tax assets and liabilities are as follows:

	2017 \$	2016 \$
Deferred income tax assets (liabilities)		
Capital losses carried forward	680	655
Marketable securities	(48,600)	7,800
Non-capital losses carried forward	2,674,947	2,087,867
Property and equipment	10,418	8,723
Share issuance costs	1,421	—
Total gross deferred income tax assets	2,638,866	2,105,045
Unrecognized deferred income tax assets	(2,499,181)	(1,973,712)
Net deferred income tax asset	139,685	131,333
Resource pools	(139,685)	(131,333)
Net deferred income tax asset	—	—

## **GOLDBANK MINING CORPORATION**

Notes to the consolidated financial statements

Years ended December 31, 2017 and 2016

(Expressed in Canadian dollars)

### **15. Income Taxes (continued)**

As at December 31, 2017, the Company has non-capital losses carried forward of \$9,907,210, which are available to offset future years' taxable income. These losses expire as follows:

	\$
2026	376,202
2027	425,463
2028	356,277
2029	309,680
2030	628,641
2031	726,507
2032	680,695
2033	889,338
2034	968,811
2035	1,229,404
2036	1,439,240
2037	1,876,952
	<hr/> 9,907,210

The Company also has available mineral resource related expenditure pools totalling \$4,232,490, which may be deducted against future taxable income on a discretionary basis.

### **16. Subsequent Event**

Subsequent to December 31, 2017, the Company received share subscriptions receivable proceeds of \$367,500.