

# **K2 Gold Corporation**

**CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017**

**In Canadian Dollars**

**Unaudited – Prepared by Management**

### **Notice of Non-review of Condensed Interim Financial Statements**

The attached condensed interim financial statements for the three-month period ended March 31, 2018 and 2017 have been prepared by and are the responsibility of the Company's management and have been approved by the Board of Directors of the Company. The Company's independent auditor has not performed a review of these condensed interim financial statements.

## K2 Gold Corporation

### Statements of Financial Position

(Amounts are expressed in Canadian Dollars)

	Notes	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
<b>Assets</b>			
<b>Current Assets</b>			
Cash		\$ 220,493	\$ 403,411
Amounts receivable		13,045	49,170
Prepaid expenses		39,191	38,434
Investments		25,000	25,000
Marketable securities	4	55,191	48,568
		<u>352,920</u>	<u>564,583</u>
Exploration and evaluation assets	5	2,484,718	2,259,809
<b>TOTAL ASSETS</b>		<b>\$ 2,837,638</b>	<b>\$ 2,824,392</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 63,161	\$ 54,550
		<u>63,161</u>	<u>54,550</u>
<b>Shareholders' Equity</b>			
Share capital	6	13,240,608	13,118,108
Reserves	6	3,144,313	3,144,313
Accumulated other comprehensive income		44,153	37,530
Deficit		(13,654,597)	(13,530,109)
		<u>2,774,477</u>	<u>2,769,842</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 2,837,638</b>	<b>\$ 2,824,392</b>

Nature of operations and going concern (Note 1)  
Subsequent event (Note 10)

APPROVED ON BEHALF OF THE BOARD:

"Stephen Swatton" \_\_\_\_\_, President, CEO and Director

"Craig Roberts" \_\_\_\_\_, Director

## K2 Gold Corporation

### Statements of Loss and Comprehensive Loss

(Amounts are expressed in Canadian Dollars)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
<b>Expenses</b>		
Advertising, marketing and promotion	\$ 21,942	\$ 28,215
Consulting	-	38,166
Corporate listing and filing fees	8,702	12,571
Office and administration	8,211	8,104
Personnel	62,482	57,501
Professional fees	949	7,566
Rent	9,444	12,600
Travel and conferences	13,921	5,332
<b>Loss Before the Undernoted</b>	<b>(125,651)</b>	<b>(170,055)</b>
<b>Other Income (Expenses)</b>		
Interest income	1,138	-
Recovery of accounts payable	25	-
<b>Loss for the Three Months</b>	<b>(124,488)</b>	<b>(170,055)</b>
Unrealized gain on marketable securities (Note 6)	6,623	-
<b>Loss and Comprehensive Loss for the Year</b>	<b>\$ (117,865)</b>	<b>\$ (170,055)</b>
<b>Loss per share – basic and diluted</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding</b>	<b>18,676,231</b>	<b>14,198,396</b>

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

**K2 Gold Corporation**  
**Condensed Statements of Cash Flows**  
**For the Years Three Months Ended March 31, 2018 and 2017**

*(Amounts are expressed in Canadian Dollars)*

<b>Cash Provided By (Used In):</b>	<b>2018</b>	<b>2017</b>
<b>Operations:</b>		
Loss for the period	\$ (124,488)	\$ (170,055)
Items not affecting cash:		
Interest expense	-	-
Share-based compensation	-	-
Amortization of flow-through premium liability	-	-
Change in non-cash working capital:		
Amounts receivable	36,125	7,238
Prepaid expenses	(757)	(6,401)
Accounts payable and accrued liabilities	8,611	(104,956)
	(80,509)	(274,174)
<b>Investing:</b>		
Exploration and evaluation expenditures	(102,049)	(191,532)
	(102,049)	(191,532)
<b>Financing:</b>		
Proceeds from issuance of shares	-	-
Share issue costs	-	-
Proceeds from exercise of warrants	-	-
	-	-
<b>Net increase (decrease) in cash</b>	<b>(182,918)</b>	<b>(465,705)</b>
<b>Cash - beginning of year</b>	<b>403,411</b>	<b>1,533,672</b>
<b>Cash - end of period</b>	<b>\$ 220,493</b>	<b>\$ 1,067,966</b>

**Supplemental Schedule of Non-Cash Investing and Financing Activities**

Exploration and evaluation assets included in accounts payable	\$ 41,901	\$ 62,804
Shares issued for exploration and evaluation assets	\$ 122,500	\$ 292,500

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

**K2 Gold Corporation**  
**(An Exploration Stage Company)**  
**Statement of Changes in Equity (Deficit)**

*(Amounts are expressed in Canadian Dollars)*

	Share Capital		Accumulated Other Comprehensive		Deficit \$	Total \$
	Shares #	Amount \$	Reserves \$	Income \$		
<b>Balance, December 31, 2016</b>	<b>13,905,137</b>	<b>11,674,091</b>	<b>2,559,065</b>	<b>11,038</b>	<b>(12,428,980)</b>	<b>1,815,214</b>
Shares issued for option payment	500,000	150,000	-	-	-	150,000
Shares issued for option payment	100,000	35,000	-	-	-	35,000
Loss for the period	-	-	-	-	(170,055)	(170,055)
<b>Balance, March 31, 2017</b>	<b>14,505,137</b>	<b>11,859,091</b>	<b>2,559,065</b>	<b>11,038</b>	<b>(12,599,035)</b>	<b>1,830,159</b>
<b>Balance, December 31, 2017</b>	<b>18,381,787</b>	<b>13,118,108</b>	<b>3,144,313</b>	<b>37,530</b>	<b>(13,530,109)</b>	<b>2,769,842</b>
Shares issued for exploration and evaluation assets	500,000	122,500	-	-	-	122,500
Unrealized gain on marketable securities	-	-	-	6,623	-	6,623
Loss for the period	-	-	-	-	(124,488)	(124,488)
<b>Balance, March 31, 2018</b>	<b>18,881,787</b>	<b>13,240,608</b>	<b>3,144,313</b>	<b>44,153</b>	<b>(13,654,597)</b>	<b>2,774,477</b>

**K2 Gold Corporation**  
**(An Exploration Stage Company)**  
**Notes to Condensed Financial Statements**  
**For the three months ended March 31, 2018 and 2017**  
*(Amounts are expressed in Canadian Dollars)*

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**1. Nature of Operations and Going Concern**

K2 Gold Corporation (“K2 Gold” or the “Company”) was incorporated on May 3, 2011, pursuant to the Business Corporations Act of British Columbia, Canada. The Company’s head office is located at Suite 1020 – 800 West Pender St., Vancouver, BC, V6C 2V6. The Company’s common shares are publicly listed on the Toronto Stock Exchange’s Venture Exchange (the “Exchange”) under the symbol “KTO”.

K2 Gold is an exploration stage company with its primary focus being its 90% option to the Wels Gold Property located in the Yukon Territory.

The recoverability of amounts shown as mineral property interests is dependent upon the discovery of economically recoverable reserves, the Company’s ability to obtain financing to develop its property and the ultimate realization of profits through future production or sale of its property. Realized values may be substantially different than carrying values as recorded in these financial statements.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to continue its operation as a going concern for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. At March 31, 2018, the Company had not achieved profitable operations and had an accumulated deficit. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern. These 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.

Although the Company has been successful in the past in obtaining financing, there can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations, exploration and development activities.

**2. Basis of Presentation**

**a) Statement of Compliance**

These condensed interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). The accounting policies followed in these condensed interim financial statements are the same as those applied in the Company’s most recent annual financial statements for the year ended December 31, 2017.

The policies applied in these condensed interim financial statements are based on IFRS issued and outstanding as of June 21, 2018, the date the Board of Directors approved the statements. Certain of the comparative year figures have been reclassified to conform to the current year’s presentation. The condensed interim financial statements should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2017.

**K2 Gold Corporation**  
**(An Exploration Stage Company)**  
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**2. Basis of Presentation – Continued**

**b) Approval of the Financial Statements**

These financial statements were approved and authorized for issue by the Board of Directors on June 21, 2018.

**c) Functional and Presentation Currency**

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements.

These condensed financial statements are presented in Canadian dollars, which is the Company's presentation and functional currency. The functional currencies of the Company's subsidiaries do not differ from that of the parent company.

Transactions in foreign currencies are translated into the functional currency at exchange rates as at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss. Foreign currency monetary assets and liabilities are translated at the functional currency exchange rate at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date of acquisition. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

**d) Significant Accounting Policies**

These unaudited condensed interim financial statements do not include all of the significant accounting policies required by IFRS for complete financial statements for year-end reporting purposes. These financial statements should be read together with the audited financial statements for the year ended December 31, 2016 which in Note 3 detail all significant accounting policies adopted by the Company.

The Company's accounting policies have been applied consistently to all periods presented in these unaudited condensed interim financial statements.

**e) Critical Accounting Judgments and Estimates**

***Key Sources of Estimation Uncertainty***

The following are the critical judgments and estimates that the Company has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

**K2 Gold Corporation**  
(An Exploration Stage Company)  
**Notes to Condensed Financial Statements**  
For the three months ended March 31, 2018 and 2017  
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**2. Basis of Presentation – Continued**

**e) Critical Accounting Judgements and Estimates – Continued**

***Critical Judgments***

The preparation of our consolidated financial statements requires us to make judgments regarding the Company's ability to continue as a going concern as discussed in note 1.

***Key Sources of Estimation Uncertainty***

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. Significant estimates made by management affecting the Company's consolidated financial statements include:

***Deferred tax assets and liabilities***

The measurement of the deferred tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of deferred taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company's deferred tax assets and tax provisions could be affected.

***Useful life of equipment***

Each significant component of an item of equipment is depreciated over its estimated useful life. Estimated useful lives are determined based on current facts and past experience and take into consideration the anticipated physical life of the asset, and the potential for technological obsolescence.

***Carrying value and recoverability of exploration and evaluation assets***

The carrying amount of the Company's exploration and evaluation assets do not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development and upon future profitable production or proceeds from the disposition of the mineral property interests themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its mineral property interests or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

**K2 Gold Corporation**  
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**3. Recent accounting pronouncements**

*Recent Accounting Pronouncements adopted:*

IFRS 9, "Financial Instruments"

IFRS 9 was issued by the IASB in November 2009 and will replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

In October 2010, the IASB added requirements for financial liabilities to IFRS 9. These requirements were largely carried forward from the existing requirements in IAS 39, however, fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

The final version of this new standard is effective for annual periods beginning on or after January 1, 2018.

Management has assessed the transition from IAS 39 Financial Instruments to IFRS 9 Financial Instruments as having no immediate impact on the financial statements as the Company has elected to value its equity investments a fair value through other comprehensive income. However, any subsequent gains for losses on these instruments under IFRS 9 will not be reclassified to profit and loss.

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations ("IFRS 11") has been amended to provide specific guidance on accounting for the acquisition of an interest in a joint operation that is a business. IFRS 11 is effective on or after January 1, 2016. There is no effect on these financial statements.

IFRS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization ("IFRS 16 and IAS 38") have been amended to (i) clarify that the use of a revenue-based depreciation and amortization method is not appropriate, and (ii) provide a rebuttable presumption for intangible assets. IFRS 16 and IAS 38 are effective on or after January 1, 2016. There is no effect on these financial statements.

*Recent Accounting Pronouncements not yet applied:*

IFRS 16, Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. The adoption of this standard and amendments is not expected to have a material impact in the Company's financial statements.

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**4. Marketable Securities**

On June 17, 2015, the Company entered into a debt settlement agreement with Bluestone Resources Inc. (“Bluestone”) whereby Bluestone will issue 220,765 of its shares to settle the debt of \$11,038 owing to the Company. The shares were issued on July 20, 2015. The Bluestone shares were on the basis of one (1) new post-consolidation share for every five (5) pre-consolidation shares, effective May 24, 2017. As a result of this consolidation, K2 Gold Corporation owns 44,153 shares in Bluestone Resources Inc.

Management has determined it appropriate to record the common shares of Bluestone as available-for-sale financial assets. The initial investment was recorded at cost. The Company will revalue the investments at each reporting period. Any changes in the fair value of the investments will be recorded in other comprehensive income (“OCI”) until the investments are sold or otherwise disposed, at which point any gains and losses recorded to date will be recognized through profit or loss.

The fair value of these common shares as at July 20, 2015, the date of the receipt of Bluestone shares, was \$11,038. The fair value as at March 31, 2018 was \$55,191.

**K2 Gold Corporation**  
(An Exploration Stage Company)  
**Notes to Condensed Financial Statements**  
For the three months ended March 31, 2018 and 2017  
(Amounts are expressed in Canadian Dollars)

**5. Exploration and Evaluation Assets**

<b>Wels Property:</b>	<b>Acquisition Costs \$</b>	<b>Deferred Exploration \$</b>	<b>Total \$</b>
<b>Balance, December 31, 2016</b>	<b>365,057</b>	<b>-</b>	<b>365,057</b>
Cash Payment	100,000	-	100,000
Advanced royalty payment	20,000	-	20,000
Shares issued	467,500	-	467,500
Geology	-	519,991	519,991
Aviation	-	258,048	258,048
Land use and licenses	-	8,736	8,736
Community Relations	-	83,874	83,874
Travel	-	77,305	77,305
<b>Balance, December 31, 2017</b>	<b>952,557</b>	<b>980,327</b>	<b>1,932,884</b>
Cash Payment	-	-	-
Advanced royalty payment	-	-	-
Shares issued	122,500	-	122,500
Geology	-	59,357	59,357
Aviation	-	90	90
Land use and licenses	-	-	-
Community Relations	-	-	-
Travel	-	7,962	7,962
<b>Balance, March 31, 2018</b>	<b>1,075,057</b>	<b>1,047,736</b>	<b>2,122,793</b>

  

<b>Flume Property:</b>	<b>Acquisition Costs \$</b>	<b>Deferred Exploration \$</b>	<b>Total \$</b>
<b>Balance, December 31, 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash payment	25,000	-	25,000
Shares issued	32,500	-	32,500
Geology	-	91,874	91,874
Aviation	-	22,145	22,145
Land use and licenses	-	2,992	2,992
Travel	-	14,284	14,284
<b>Balance, December 31, 2017</b>	<b>57,500</b>	<b>131,295</b>	<b>188,795</b>
Cash Payment	35,000	-	35,000
Shares issued	-	-	-
Geology	-	-	-
Aviation	-	-	-
Land use and licenses	-	-	-
Travel	-	-	-
<b>Balance, March 31, 2018</b>	<b>92,500</b>	<b>131,295</b>	<b>223,795</b>

**K2 Gold Corporation**  
(An Exploration Stage Company)  
**Notes to Condensed Financial Statements**  
For the three months ended March 31, 2018 and 2017  
(Amounts are expressed in Canadian Dollars)

**5. Exploration and Evaluation Assets – Continued**

<b>Storck Property:</b>	<b>Acquisition Costs \$</b>	<b>Deferred Exploration \$</b>	<b>Total \$</b>
<b>Balance, December 31, 2016</b>	-	-	-
Aviation	-	34,441	34,441
Geology	-	39,862	39,862
Land use and licenses	-	1,931	1,931
Travel	-	695	695
<b>Balance, December 31, 2017</b>	-	<b>76,929</b>	<b>76,929</b>
Aviation	-	-	-
Geology	-	-	-
Land use and licenses	-	-	-
<b>Balance, March 31, 2018</b>	-	<b>76,929</b>	<b>76,929</b>

<b>Ladue Property:</b>	<b>Acquisition Costs \$</b>	<b>Deferred Exploration \$</b>	<b>Total \$</b>
<b>Balance, December 31, 2016</b>	-	-	-
Aviation	-	33,336	33,336
Land use and licenses	-	1,144	1,144
Geology	-	26,721	26,721
<b>Balance, December 31, 2017</b>	-	<b>61,201</b>	<b>61,201</b>
Aviation	-	-	-
Land use and licenses	-	-	-
Geology	-	-	-
<b>Balance, March 31, 2018</b>	-	<b>61,201</b>	<b>61,201</b>

<b>Total Exploration and Evaluation:</b>	<b>Acquisition Costs \$</b>	<b>Deferred Exploration \$</b>	<b>Total \$</b>
<b>Balance, December 31, 2017</b>	<b>1,010,057</b>	<b>1,249,752</b>	<b>2,259,809</b>
<b>Balance, March 31, 2018</b>	<b>1,167,557</b>	<b>1,317,161</b>	<b>2,484,718</b>

**Wels Property**

The Company signed a definitive option agreement with Gorilla Minerals Corp. (“Gorilla”) on August 11, 2016, subsequently amended October 21, 2016 option, to acquire a 90% joint venture interest (subject an existing 3% net smelter return) in certain mineral property interests located in the Yukon Territory, known as the “Wels Property”. According to the agreement, the Company will make cash payments aggregating \$350,000 staged over 24 months and issue 3 million common shares staged over a 30-month period as follows:

**K2 Gold Corporation**  
**(An Exploration Stage Company)**  
**Notes to Condensed Financial Statements**  
**For the three months ended March 31, 2018 and 2017**  
*(Amounts are expressed in Canadian Dollars)*

**5. Exploration and Evaluation Assets – Continued**

	<b>Cash option payments</b>	<b>Issuance of common shares</b>
Within 5 days after date of October 16, 2016	\$ 50,000 *	500,000 *
On or before September 30, 2016	100,000 *	-
On or before February 11, 2017	-	500,000 *
On or before August 11, 2017	100,000 *	500,000 *
On or before February 11, 2018	-	500,000 *
On or before August 11, 2018	100,000	500,000
On or before February 11, 2019	-	500,000
<b>Total</b>	<b>\$ 350,000</b>	<b>3,000,000 **</b>

\* Paid/issued. These common shares were issued on October 27, 2016 at which time the Company's common shares had a market value of \$0.30 per common share. Subsequent issues in February/August 2017 and February 2018 were at \$0.52, \$0.415 and \$0.245 per common share. Therefore, the fair value of these common shares was \$150,000, \$260,000, \$207,500, and \$122,500 respectively, as at the time of their issuance.

\*\* Upon completion of the payments and share issuances, the Company and Gorilla will proceed under the terms of a joint venture agreement (the "Joint Venture"). Under the Joint Venture, the Company will fund the project fully through completion of a preliminary economic assessment, following which project expenditures will be funded on a 90/10 proportionate basis between the Company and Gorilla, respectively, with the Company acting as project manager and holding voting control of the

Joint Venture project committee. If, at any time, either party's Joint Venture interest is diluted to less than 1.0%, that diluted party's interest will be cancelled, and the Joint Venture will terminate.

The existing 3% net smelter return ("NSR") is governed by a 2011 agreement between Gorilla and two arm's length holders. The royalty agreement provides that 2% of the 3% NSR may be purchased from the royalty holders for cash payment of \$1,500,000. Pursuant to the Option Agreement, the Company will pay the \$20,000 annual advance royalty due under the 2011 agreement.

**Flume Property**

During the year ended December 31, 2017, the Company entered into an option agreement with Commander Resources Ltd., ("Commander") to acquire up to a 100% interest in the Flume property located in the Yukon territory.

To earn 60% of the Commander property, the Company must spend \$2 million in exploration (\$200,000 firm commitment in year one\*\*) and make staged cash and share payments as listed below.

	<b>Cash option payments</b>	<b>Issuance of common shares</b>
Upon signing of agreement	\$ 25,000 *	100,000 *
First anniversary of the agreement	35,000 *	100,000 *
Second anniversary of the agreement	50,000	150,000
Third anniversary of the agreement	75,000	150,000
Fourth anniversary of the agreement	215,000	500,000
<b>Total</b>	<b>\$ 400,000</b>	<b>1,000,000</b>

**K2 Gold Corporation**  
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**5. Exploration and Evaluation Assets – Continued**

\* Paid/issued. The 100,000 common shares were issued on March 15, 2017 with a fair value of \$32,500 on date of grant. The first anniversary cash and share issue payments were completed in April 2018. The fair value of the 100,000 shares issued was \$25,000.

\*\* Commander acknowledged that the \$132,295 spent in exploration during year one was sufficient to satisfy the firm commitment.

Upon fulfillment of the initial option conditions, the Company will have the right to a further 40% (total 100%) in the property by making an additional \$3 million in expenditures, making additional cash payments of \$250,000, and issuing a further 2 million shares to Commander. If the Company acquires a 100% interest the property and announces a production decision it will pay Commander either \$10 million in cash or \$5 million cash and \$5 million in shares of the Company.

**Storck Property**

During the year ended December 31, 2017, the Company staked certain claims near the Flume property, referred to as the Storck Property.

**Ladue Property**

During the year ended December 31, 2017, the Company staked certain claims in the eastern Moosehorn Range area of the Yukon territory known as the Ladue property.

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**6. Share Capital**

***Authorized Share Capital***

At March 31, 2018, the authorized share capital comprised an unlimited number of common shares without par value.

***Issued Share Capital***

On Feb 10, 2017, the Company issued 500,000 shares with a value of \$260,000 as per the option agreement with Gorilla (Note 4).

On March 15, 2017, the Company issued 100,000 shares as per the agreement with Commander regarding the Flume property (Note 4).

On June 28, 2017, the Company completed a non-brokered private placement of 2,301,400 units (the "Units") at a price of \$0.35 per Unit and 986,250 flow-through shares (the "FT Shares") at a price of \$0.40 per FT Share, for gross proceeds of \$1,199,990 (the "Offering"). A flow-through premium of \$49,313 was recorded in connection with the issuance of FT Shares.

Each Unit consisted of one common share of the Company (a "Share") and one-half of one nontransferable common share purchase warrant for a term of eighteen months (the "Warrants"). Each Warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.55 per common share during the term of the Warrants, subject to the right of the Company to accelerate the expiry of the Warrants. If at any time after October 29, 2017 and during the Warrant Term, the common shares of the Company close at a price at or above \$0.65 per share for more than 10 consecutive trading days (an "Acceleration Event") and the Company elects to accelerate the expiry of the Warrants and give notice, within five days of such Acceleration Event, to the holders that an Acceleration Event has occurred, then the expiry of the Warrants will be accelerated such that the Warrants will then terminate 30 calendar days after the Company gives such notice (the "Accelerated Expiry").

In connection with the Offering, the Company entered into finder's fee agreements with four arm's length finders pursuant to which the Company issued 155,540 warrants ("Finder's Warrants") and paid cash finders' fees in the aggregate of \$57,064 (the "Cash Finders Fee"). Each Finder's Warrant has the same terms as the Warrants issued under the Offering. The Finders warrants were attributed a value of \$31,686 using a Black Scholes valuation model with the following assumptions: risk free rate of 1.05%, expected annual volatility of 116%, expected life of 1.5 years, expected dividend yield of 0%, and a share price at grant date of \$0.37.

On August 11, 2017, the Company issued an additional 500,000 shares with a value of \$207,000 as per the option agreement with Gorilla (Note 4).

During the year ended December 31, 2017, a total of 89,000 shares were issued on the exercise of warrants for total proceeds of \$31,150. In connection with the issuance, a total of \$8,989 equal to the grant date fair value of the warrants was transferred from reserves to share capital.

On April 16, 2018, the Company extended the term of 4,000,000 common share purchase warrants with an exercise price of \$0.35 per share which were set to expire on April 27, 2018 to October 27, 2018.

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**6. Share Capital - Continued**

***Issued Share Capital - Continued***

On April 16, 2018, the Company extended the term of 4,000,000 common share purchase warrants with an exercise price of \$0.35 per share which were set to expire on April 27, 2018 to October 27, 2018.

***Warrants***

Details of outstanding warrants are as follows:	Number of Warrants	Weighted Average Exercise Price
Outstanding warrants, December 31, 2016	8,314,510	\$ 0.39
Issued	1,306,240	\$ 0.55
Exercised	(89,000)	\$ 0.35
Expired	(178,310)	\$ 7.98
Outstanding warrants, December 2017	9,353,440	\$ 0.27
Issued	-	-
Exercised	-	-
Expired	-	-
Outstanding warrants, March 31, 2018	9,353,840	\$ 0.27

At March 31, 2018, the Company had outstanding warrants enabling the holders to acquire common shares as follows:

Expiry Date	Weighted Average Exercise Price	Number of Warrants	Weighted Remaining Contractual Life (in Years)
April 27, 2018	\$0.35	136,200	0.07
October 27, 2018	\$0.35	3,911,000	0.58
June 28, 2019	\$0.10	4,000,000	1.24
December 28, 2018	\$0.55	1,306,240	0.75
Weighted average exercise price and remaining contractual life	\$0.27	9,353,440	0.88

***Stock Options***

Under the Company's stock option plan, the board of directors may grant options for the purchase of up to 10% of the total number of issued and outstanding common shares of the Company. Options granted under the plan vest over time at the discretion of the board of directors and expire no later than ten years from the date of issuance. Exercise prices on options granted under the plan cannot be lower than the market price of one common share on the last trading day immediately preceding the day on which the option is granted, less the maximum applicable discount permitted by the Exchange.

The changes in stock options issued are as follows:

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**6. Share Capital – Continued**

	Number	Weighted Average Exercise Price
Outstanding December 31, 2016	-	-
Issued	1,255,000	\$0.30
Expired	(5,000)	\$0.36
Outstanding, December 31, 2017	1,250,000	\$0.30
Issued	-	-
Expired	-	-
Outstanding March 31, 2018	1,250,000	\$0.30

The estimated grant date fair value of the options granted during the years ended December 31, 2017 and 2016 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31, 2017	December 31, 2016
Number of options granted	1,255,000	N/A
Risk-free interest rate	1.02%	N/A
Expected annual volatility	171%	N/A
Expected life	5 years	N/A
Expected dividend yield	0%	N/A
Grant date fair value per option	\$0.32	N/A
Share price at grant date	\$0.34	N/A

At March 31, 2018, the Company had outstanding options enabling the holders to acquire common shares as follows:

Expiry Date	Options outstanding	Options exercisable	Exercise price	Weighted Remaining Contractual Life (in Years)
May 1, 2022	1,200,000	1,200,000	\$0.30	4.09
June 12, 2022	50,000	50,000	\$0.36	4.20
	1,250,000	1,250,000	\$0.30	4.09

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**7. Financial Instruments**

**a. Fair values**

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

- Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The fair value of cash, amounts receivable, investments, and accounts payables and accrued liabilities approximates their carrying value due to their short-term maturity. Marketable securities are measured using level one of the fair value hierarchy.

**b. Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and amounts receivable. Cash is held with major Canadian financial institutions and amounts receivable primarily consist of GST recoverable are from Government entities. Management is of the view that all amounts are fully collectible.

**c. Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations and commitments as they become due. The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. Management believes that the Company has sufficient funds to meet its obligations as they become due or will be able to obtain financing as required to meet its obligations and commitments (see also note 1).

**d. Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and commodity and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company does not currently have any significant interest or equity price risk as it has no significant interest bearing financial instruments or significant investments in equities of another entity.

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**7. Financial Instruments – Continued**

**e. Market risk**

In the normal course of business, the Company enters into transactions for the purchase of supplies and services and acquisition of mineral properties, denominated in a currency other than the functional currency of the Company. As a result, the Company is subject to foreign exchange risk from fluctuations in foreign exchange rates. The Company has not entered into any derivative or other financial instruments to mitigate this foreign exchange risk. The Company does not have any significant currency risks associated with its financial instruments at March 31, 2018.

**f. Capital Management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern so that it can provide returns and benefits for shareholders and advance the exploration of its mineral properties.

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital and reserves, net of accumulated deficit. The Company depends on external financing to fund its activities and may issue new equity instruments to maintain its capital structure. The Company manages its capital structure through the preparation of operating budgets, which are approved by the Board of Directors. There were no changes in the Company's approach to capital management during the period ended March 31, 2018. The Company is not subject to any externally imposed capital requirements.

**8. Related Parties**

***Key management personnel compensation***

Key management personnel consist of the Company's directors and officers. In addition to management and consulting fees paid to these individuals, or companies controlled by these individuals, the Company provides non-cash benefits to an executive officer. The aggregate value of compensation with key management personnel for the three months ended March 31, 2018 was \$38,000 (March 31, 2017 - \$52,500) and was comprised of the following:

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Personnel	\$ 38,000	\$ 52,500
	\$ 38,000	\$ 52,500

Related party transactions and balances not disclosed elsewhere in these financial statements are as follows:

The amounts charged to the Company for the services provided have been determined by negotiation among the parties and, in certain cases, are covered by signed agreements. These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

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**9. Segment Information**

The Company operates in one reportable segment, being the acquisition, exploration and evaluation of mineral resources. All of the Company's equipment and exploration and evaluation assets are located in Canada.

**10. Subsequent event**

On May 10, 2018, the Company announced its intention to raise \$750,000 by way of a non-brokered private placement consisting of both non-flow through (NFT) and flow-through (FT) unit offerings. The Company will issue up to 2,000,000 NFT Units and 833,333 FT Units for total gross proceeds of up to \$750,000.

Each non-flow-through unit (each, a "NFT Unit") will be issued at a price of \$0.25 and will consist of one common share of K2 and one common share purchase warrant. Each warrant will be exercisable to acquire one common share of K2 at an exercise price of \$0.37 for 12 months from the date of the closing of the Private Placement. The common share purchase warrants will be subject to acceleration at K2's discretion in the event its common shares trade on the TSX Venture Exchange on a volume weighted average price ("VWAP") basis of \$0.60 or more for a period of ten consecutive trading days.

Each flow-through unit (each, a "FT Unit") will be issued at a price of \$0.30 and will consist of one common share of K2 and one half of one common share purchase warrant. Each whole warrant will be exercisable to acquire one common share of K2 at an exercise price of \$0.45 for 12 months from the date of the closing of the Private Placement. The common share purchase warrants will be subject to acceleration at K2's discretion in the event its common shares trade on the TSX Venture Exchange on a volume weighted average price ("VWAP") basis of \$0.60 or more for a period of ten consecutive trading days.

On May 17, 2018 the Company announced that it had completed staking of 123 State of Alaska mining claims known as the McArthur Creek Property ("McArthur" or "the Property") located in east-central Alaska, USA, 30 km northeast of Northway, Alaska and 130 km southwest of Dawson City, Yukon. The project is located on the Alaska-Yukon border, proximal to K2's Ladue Property and covers approximately 7400 ha. The new claims are pending filing and official adjudication with the Alaska State Department of Natural Resources in Fairbanks, AK.

The Moosehorn Range area is located along the trace of the arc-related 110 – 70 Ma Tintina Gold Belt, an arcuate band of felsic intrusions extending from southwest Alaska through the Fairbanks, Alaska and Dawson City, Yukon areas, then southeast to the Yukon-British Columbia border. To date, the Moosehorn Range is host to active placer gold mining operations and has produced over 100,000 ounces of placer gold and 4000 ounces of lode gold. While historical exploration has been concentrated on the Canadian portion of the range, the Alaskan side of the range has seen very little modern exploration.

On June 12, 2018, the Company received TSX approval to issue a total of 4,122,000 Common Shares in connection with the closing of its private placement for gross proceeds of \$1,046,500,

The Company issued 3,802,000 non-flow-through units (each, a "NFT Unit") at a price of \$0.25, consisting of one common share and one full common share purchase warrant entitling the holder to acquire one additional common share at a price \$0.37 per share for a period of twelve (12) months.

The Company also issued 320,000 flow-through units (each, a "FT Unit") at a price of \$0.30, consisting of one common share and one-half-of-one common share purchase warrant entitling the holder to acquire one additional common share at a price \$0.45 per share for a period of twelve (12) months.