

# **K2 Gold Corporation**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

**In Canadian Dollars**

**Unaudited – Prepared by Management**

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

In accordance with National Instrument 51-102, the Company discloses that the accompanying condensed interim consolidated financial statements have been prepared by and are the responsibility of the Company's management. They have been reviewed and approved by the Company's Audit Committee and the Board of Directors.

The attached condensed interim consolidated financial statements for the nine months ended September 30, 2019 have not been reviewed by the Company's auditors.

**K2 Gold Corporation**  
**(An Exploration Stage Company)**  
**Condensed Interim Consolidated Statements of Financial Position**  
*(Amounts are expressed in Canadian Dollars)*

	Notes	September 30, 2019	December 31, 2018
<b>Assets</b>			
<b>Current Assets</b>			
Cash		\$ 3,371,878	\$ 316,624
Amounts receivable		44,687	6,584
Prepaid expenses		26,809	44,242
Investments		25,000	25,000
Marketable securities	4	56,516	52,983
		3,524,890	445,433
Exploration and evaluation assets	5	3,698,091	2,705,001
<b>TOTAL ASSETS</b>		<b>\$ 7,222,981</b>	<b>\$ 3,150,434</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 269,965	\$ 52,823
		269,965	52,823
<b>Shareholders' Equity</b>			
Share capital	7	18,024,546	14,244,029
Reserves	7	3,852,477	3,347,703
Accumulated other comprehensive income		45,478	41,945
Deficit		(14,969,485)	(14,536,066)
		6,953,016	3,097,611
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 7,222,981</b>	<b>\$ 3,150,434</b>

Nature of operations and going concern (Note 1)

Approved on behalf of the Board of Directors on November 29, 2019:

"Stephen Swatton", Director

"Craig Roberts", Director

**K2 Gold Corporation**  
**(An Exploration Stage Company)**  
**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**  
*(Amounts are expressed in Canadian Dollars)*

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
<b>Expenses</b>				
Advertising, marketing and promotion	\$ 14,384	\$ 31,300	\$ 42,223	\$ 82,778
Consulting	-	23,512	4,757	24,142
Corporate listing and filing fees	30,269	12,408	45,045	33,843
Office and administration	7,876	7,768	25,747	31,407
Personnel	57,975	69,561	181,025	202,909
Professional fees	23,035	10,118	45,606	25,839
Property investigation	-	-	5,026	-
Rent	6,495	6,495	19,485	23,417
Share-based compensation	-	-	30,622	-
Travel and conferences	11,101	13,662	43,435	37,723
<b>Loss Before the Undernoted</b>	<b>(151,135)</b>	<b>(174,824)</b>	<b>(442,971)</b>	<b>(462,058)</b>
<b>Other Income (Expenses)</b>				
Interest income	7,693	3,346	9,552	5,708
Amortization of FT premium liability	-	7,151	-	16,000
Recovery of accounts payable	-	(299)	-	(274)
Write-off of exploration and evaluation assets	-	(5,706)	-	(323,207)
<b>Loss for the Period</b>	<b>(143,442)</b>	<b>(170,332)</b>	<b>(433,419)</b>	<b>(763,831)</b>
Unrealized gain (loss) on marketable securities	12,804	(5,298)	3,533	8,831
<b>Comprehensive Loss for the Period</b>	<b>\$ (130,638)</b>	<b>\$ (175,630)</b>	<b>(429,886)</b>	<b>(755,000)</b>
<b>Loss per share – basic and diluted</b>	<b>\$ (0.004)</b>	<b>\$ (0.01)</b>	<b>(0.02)</b>	<b>(0.04)</b>
<b>Weighted average number of common shares outstanding</b>	<b>34,476,105</b>	<b>23,439,944</b>	<b>27,952,100</b>	<b>20,653,752</b>

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

**K2 Gold Corporation**  
**(An Exploration Stage Company)**  
**Condensed Interim Consolidated Statements of Cash Flows**  
*(Amounts are expressed in Canadian Dollars)*

<b>Cash Provided By (Used In):</b>	<b>Notes</b>	<b>Nine months ended September 30,</b>	
		<b>2019</b>	<b>2018</b>
<b>Operating activities:</b>			
Net loss for the period		\$ (433,419)	\$ (763,831)
Items not involving cash:			
Amortization of FT premium liability		-	(16,000)
Share-based compensation		30,622	-
Write-off of exploration and evaluation assets		-	323,207
Change in non-cash working capital items:			
GST recoverable		-	49,170
Accounts receivable		(38,103)	(30,688)
Prepaid expenses		17,433	807
Accounts payable and accrued liabilities		217,142	(27,104)
		(206,325)	(464,439)
<b>Investing activities:</b>			
Exploration and evaluation expenditures		(618,392)	(428,712)
		(618,392)	(428,712)
<b>Financing activities:</b>			
Proceeds from issuance of shares		3,500,000	1,046,500
Share issue costs		(20,029)	(35,010)
Proceeds from warrants exercised		400,000	-
		3,879,971	1,011,490
Net increase (decrease) in cash		3,055,254	118,339
Cash, beginning of period		316,624	403,411
Cash, end of period		\$ 3,371,878	\$ 521,750

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

**K2 Gold Corporation**  
**(An Exploration Stage Company)**  
**Condensed Interim Consolidated Statement of Changes in Shareholders' Equity**  
*(Amounts are expressed in Canadian Dollars)*

	Share Capital		Reserves	Accumulated Other Comprehensive Income	Deficit	Total
	Number of Shares	Amount				
<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 & evaluation asset	1,385,283	333,821	-	-	-	333,821
Private placement – flow-through	320,000	96,000	-	-	-	96,000
Private placement – non-flow-through	3,802,000	755,093	195,407	-	-	950,500
Share issuance costs - cash	-	(35,010)	-	-	-	(35,010)
Share issuance costs – warrants	-	(8,390)	8,390	-	-	-
Flow-through share premium	-	(16,000)	-	-	-	(16,000)
Unrealized gain on marketable securities	-	-	-	8,831	-	8,831
Loss for the period	-	-	-	-	(763,831)	(763,831)
<b>Balance, September 30, 2018</b>	<b>23,889,070</b>	<b>\$ 14,243,622</b>	<b>\$ 3,348,110</b>	<b>\$ 46,361</b>	<b>\$ (14,293,940)</b>	<b>\$ 3,344,153</b>
<b>Balance, December 31, 2018</b>	<b>23,889,070</b>	<b>\$ 14,244,029</b>	<b>\$ 3,347,703</b>	<b>\$ 41,945</b>	<b>\$ (14,536,066)</b>	<b>\$ 3,097,611</b>
Shares issued for exploration & evaluation assets	1,282,764	374,698	-	-	-	374,698
Private placement – non-flow-through	14,000,000	2,913,848	586,152	-	-	3,500,000
Share issued for private placement finders fees	694,800	229,284	-	-	-	229,284
Warrants exercised	4,000,000	400,000	-	-	-	400,000
Share issuance costs – cash	-	(20,029)	-	-	-	(20,029)
Share issuance costs – shares	-	(229,284)	-	-	-	(229,284)
Reclass of contributed surplus	-	112,000	(112,000)	-	-	-
Share-based compensation	-	-	30,622	-	-	30,622
Unrealized gain on marketable securities	-	-	-	3,533	-	3,533
Loss for the period	-	-	-	-	(433,419)	(433,419)
<b>Balance, September 30, 2019</b>	<b>43,866,634</b>	<b>\$ 18,024,546</b>	<b>\$ 3,852,477</b>	<b>\$ 45,478</b>	<b>\$ (14,969,485)</b>	<b>\$ 6,953,016</b>

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

# K2 Gold Corporation

(An Exploration Stage Company)

## Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2019 and 2018

(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 the exploration of mineral properties in the Yukon Territory and Alaska.

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 condensed interim consolidated financial statements.

These condensed interim consolidated 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 September 30, 2019, 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 condensed interim consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

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 Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for interim information, specifically International Accounting Standards ("IAS") 34 - Interim Financial Reporting. In addition, these interim financial statements have been prepared using interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC") in effect at September 30, 2019 and the same accounting policies and methods of their application as the most recent annual financial statements of the Company, except the newly adopted standards and interpretations described below (Note 3). These interim financial statements do not include all disclosures normally provided in the annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2018. In management's opinion, all adjustments necessary for fair presentation have been included in these condensed interim financial statements. Interim results are not necessarily indicative of the results expected for the year ending December 31, 2019.

#### b) Approval of the condensed interim consolidated financial statements

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on November 29, 2019.

# K2 Gold Corporation

(An Exploration Stage Company)

## Notes to Condensed Interim Consolidated Financial Statements For the Nine Months Ended September 30, 2019 and 2018

(Amounts are expressed in Canadian Dollars)

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### 2. Basis of Presentation (continued)

#### 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 condensed interim consolidated financial statements.

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company's presentation and functional currency.

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) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary K2 Gold Alaska, Inc. ("K2 Gold Alaska"). The financial statements of K2 Gold Alaska are included in the condensed interim consolidated financial statements from the date on which control was transferred to the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant intercompany accounts and transactions have been eliminated on consolidation.

### 3. Significant Accounting Policies

#### Critical accounting judgments, estimates and assumptions

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amount of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are noted below with further details of the assumptions contained in the relevant note.

The preparation of these condensed interim consolidated financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

#### Key sources of estimation uncertainty

##### *Exploration and evaluation assets*

Exploration and evaluation costs are initially capitalized as intangible exploration assets with the intent to establish commercially viable reserves. The Company is required to make estimates and judgments about the future events and circumstances regarding whether the carrying amount of intangible exploration assets exceeds its recoverable amount.

# K2 Gold Corporation

(An Exploration Stage Company)

## Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2019 and 2018

(Amounts are expressed in Canadian Dollars)

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

#### Key sources of estimation uncertainty *(continued)*

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 development and upon future profitable production or proceeds from the disposition of the exploration and evaluation assets 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 properties or the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

#### *Deferred tax assets and liabilities*

The measurement of a 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 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.

#### *Deferred tax assets and liabilities (continued)*

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 would be required to recognize more or fewer deferred tax assets, and future tax provisions or recoveries could be affected.

#### *Share-based compensation*

Share-based compensation expense is measured by reference to the fair value of the stock options at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them.

#### **New and revised standards and interpretations**

The accounting policies in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2018, except for the adoption, on January 1, 2019, of **IFRS 16, Leases and IFRIC 23, Uncertainty over Income Tax Treatments** which has an initial application as at this date.

The newly adopted IFRS 16, Leases standard establishes 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 Company has assessed its office lease agreement and concluded that the agreement does not constitute the ability to direct the use (right to use) of the underlying office premises on the context of IFRS 16. As such, the adoption of the above standard has not had an impact on the results and financial position of the Company.

The newly adopted IFRIC 23, Uncertainty over Income Tax Treatments clarifies the accounting for uncertainties in income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments. The adoption of the above standard, amendments and interpretations has not had an impact on the financial statements of the Company.

# K2 Gold Corporation

(An Exploration Stage Company)

## Notes to Condensed Interim Consolidated Financial Statements For the Nine Months Ended September 30, 2019 and 2018

(Amounts are expressed in Canadian Dollars)

### 4. Marketable Securities

On June 17, 2015, the Company entered into a debt settlement agreement with Bluestone Resources Inc. ("Bluestone") whereby Bluestone issued 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 consolidated 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.

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 September 30, 2019 was \$56,516 (2018 - \$57,399).

### 5. Exploration and Evaluation Assets

<b>Wels Property:</b>		<b>Acquisition Costs</b>	<b>Deferred Exploration</b>	<b>Total</b>
<b>Balance, December 31, 2017</b>	<b>\$</b>	<b>952,557</b>	<b>980,327</b>	<b>1,932,884</b>
Cash Payment		100,000	-	100,000
Advanced royalty payment		20,000	-	20,000
Shares issued		237,500	-	237,500
Aviation		-	37,124	37,124
Community relations		-	2,837	2,837
Geology		-	185,296	185,296
Land uses and licenses		-	2,556	2,556
Travel		-	43,242	43,242
<b>Balance, December 31, 2018</b>	<b>\$</b>	<b>1,310,057</b>	<b>1,251,382</b>	<b>2,561,439</b>
Cash Payment		-	-	-
Advanced royalty payment		20,000	-	20,000
Shares issued		127,500	-	127,500
Aviation		-	37,009	37,009
Community relations		-	-	-
Geology		-	44,620	44,620
Land uses and licenses		-	-	-
Travel		-	33,396	33,396
<b>Balance, September 30, 2019</b>	<b>\$</b>	<b>1,457,557</b>	<b>1,366,408</b>	<b>2,823,965</b>

<b>Ladue Property:</b>		<b>Acquisition Costs</b>	<b>Deferred Exploration</b>	<b>Total</b>
<b>Balance, December 31, 2017</b>	<b>\$</b>	<b>-</b>	<b>61,201</b>	<b>61,201</b>
Aviation		-	5,940	5,940
Geology		-	64,085	64,085
Travel		-	4,100	4,100
<b>Balance, December 31, 2018</b>	<b>\$</b>	<b>-</b>	<b>135,326</b>	<b>135,326</b>
Cash Payment		-	-	-
Shares issued		-	-	-
Geology		-	14,124	14,124
Aviation		-	7,500	7,500
Land use and licenses		-	1,088	1,088
Travel		-	455	455
<b>Balance, September 30, 2019</b>	<b>\$</b>	<b>-</b>	<b>158,494</b>	<b>158,494</b>

# K2 Gold Corporation

(An Exploration Stage Company)

## Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2019 and 2018

(Amounts are expressed in Canadian Dollars)

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

<b>McArthur Creek Property:</b>		<b>Acquisition Costs</b>	<b>Deferred Exploration</b>	<b>Total</b>
<b>Balance, December 31, 2017</b>	<b>\$</b>	-	-	-
Geology		3,826	-	3,826
Land use and licenses		4,120	-	4,120
Travel		290	-	290
<b>Balance, December 31, 2018</b>	<b>\$</b>	<b>8,236</b>	-	<b>8,236</b>
Cash Payment		-	-	-
Shares issued		-	-	-
Geology		-	26,412	26,412
Aviation		-	6,390	6,390
Land use & licenses		-	8,240	8,240
Travel		-	28	28
<b>Balance, September 30, 2019</b>	<b>\$</b>	<b>8,236</b>	<b>41,069</b>	<b>49,305</b>

<b>GDR Property:</b>		<b>Acquisition Costs</b>	<b>Deferred Exploration</b>	<b>Total</b>
<b>Balance, December 31, 2018</b>	<b>\$</b>	-	-	-
Cash Payment		6,000	-	6,000
Shares issued		22,050	-	22,050
Geology		-	30,840	30,840
Aviation		-	721	721
Travel		-	10,160	10,160
<b>Balance, September 30, 2019</b>	<b>\$</b>	<b>28,050</b>	<b>41,721</b>	<b>69,771</b>

<b>Flume Property:</b>		<b>Acquisition Costs</b>	<b>Deferred Exploration</b>	<b>Total</b>
<b>Balance, December 31, 2017</b>	<b>\$</b>	<b>57,500</b>	<b>131,295</b>	<b>188,795</b>
Cash Payment		35,000	-	35,000
Shares issued		25,000	65,615	90,615
Geology		-	2,800	2,800
Travel		-	291	291
Write-off of exploration and evaluation assets		(117,500)	(200,001)	(317,501)
<b>Balance, December 31, 2018</b>	<b>\$</b>	-	-	-
Cash Payment		-	-	-
Shares issued		-	-	-
Geology		-	-	-
<b>Balance, September 30, 2019</b>	<b>\$</b>	-	-	-

## K2 Gold Corporation

(An Exploration Stage Company)

### Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2019 and 2018

(Amounts are expressed in Canadian Dollars)

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

Storck Property:	Acquisition Costs	Deferred Exploration	Total
<b>Balance, December 31, 2017</b>	\$ -	<b>76,929</b>	<b>76,929</b>
Geology	-	1,000	1,000
Travel	-	145	145
Write-off of exploration and evaluation assets	-	(78,074)	(78,074)
<b>Balance, December 31, 2018</b>	\$ -	-	-
Cash Payment	-	-	-
Shares issued	-	-	-
Geology	-	-	-
<b>Balance, September 30, 2019</b>	\$ -	-	-

Mojave Property:	Acquisition Costs	Deferred Exploration	Total
<b>Balance, December 31, 2018</b>	\$ -	-	-
Taxes Paid	127,813	-	127,813
Legal	36,642	-	36,642
Cash Payment	150,244	-	150,244
Shares issued	225,148	-	225,148
Geology	-	47,022	47,022
Travel	-	9,688	9,688
<b>Balance, September 30, 2019</b>	\$ <b>539,846</b>	<b>56,710</b>	<b>596,557</b>

Total Exploration and Evaluation:	Acquisition Costs	Deferred Exploration	Total
<b>Balance, December 31, 2018</b>	\$ <b>1,318,293</b>	<b>1,386,708</b>	<b>2,705,001</b>
<b>Balance, September 30, 2019</b>	\$ <b>2,033,689</b>	<b>1,664,402</b>	<b>3,698,091</b>

#### Wels Property

The Company signed a definitive option agreement with Go Cobalt Mining Corp. ("Go Cobalt") 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, to earn its interest, the Company made cash payments aggregating \$350,000 staged over 24 months and issued 3 million common shares staged over a 30-month period as follows:

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

# K2 Gold Corporation

(An Exploration Stage Company)

## Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2019 and 2018

(Amounts are expressed in Canadian Dollars)

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

\* Upon completion of the payments and share issuances, the Company and Go Cobalt 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 Go Cobalt, 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 Wels property is subject to 3% net smelter return ("NSR") governed by a 2011 agreement between Go Cobalt 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.

During the nine months ended September 30, 2019, the Company issued 500,000 shares to Go Cobalt pursuant to the Wels option agreement. The fair value of these common shares was \$127,500 as at the time of their issuance. The Company has now satisfied all of the terms of its option agreement with Go Cobalt and earned a 90% interest in the Wels property.

#### Ladue Property

During the nine months ended September 30, 2019, the Company staked certain claims in the eastern Moosehorn Range area of the Yukon Territory known as the Ladue property.

#### McArthur Creek Property

During the nine months ended September 30, 2019, the Company staked several claims collectively known as the McArthur Creek Property located in Alaska, USA.

#### GDR Property

In December 2018, the Company entered into an earn in agreement with Cazador Resources Ltd., Michael Cathro and North Track Exploration, (the "Vendor Syndicate") to acquire up to a 100% interest in the GDR property located in the Yukon Territory.

To earn 100% of the GDR property, the Company must make staged cash and share payments as listed below:

	Cash option payments	Common shares issuance
Upon signing of agreement (December 15, 2018)	\$ 6,000 (paid)	90,000 (issued)
1 <sup>st</sup> anniversary of the agreement (December 31, 2019)	12,000	180,000
2 <sup>nd</sup> anniversary of the agreement (December 31, 2020)	24,000	360,000
3 <sup>rd</sup> anniversary of the agreement (December 31, 2021)	48,000	570,000
<b>Total</b>	<b>\$ 90,000</b>	<b>1,200,000</b>

During the nine months ended September 30, 2019, the Company completed the first anniversary cash and share issue payments. The fair value of the 90,000 shares issued was \$22,050.

# K2 Gold Corporation

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## Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2019 and 2018

(Amounts are expressed in Canadian Dollars)

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

#### Mojave Project

On July 12, 2019, K2 signed an option agreement to acquire a 100% interest in the Mojave Gold Project ("Mojave Project").

To earn 100% of the Mojave project, the Company must make staged cash and share payments as listed below:

		Cash option payments		Common shares issuance	
July 12 2019 (Effective date)	US\$	112,500	paid	480,000	issued
6-months from the effective date		112,500			
12-months from the effective date		125,000		480,000	
18-months from the effective date		125,000			
24-months from the effective date		150,000		480,000	
30-months from the effective date		150,000			
36-months from the effective date		175,000		480,000	
42-months from the effective date		175,000			
48-months from the effective date		275,000		480,000	
<b>Total</b>	<b>US\$</b>	<b>1,400,000</b>		<b>2,400,000</b>	

In addition, following the exercise of its option, K2 has agreed to make an annual pre-production payment of US\$275,000 per year until the achievement of commercial production and to grant a 3% net smelter returns royalty with respect to all mineral produced from the Mojave Project, subject to a minimum annual royalty payment following commercial production of US\$300,000. The royalty will be subject to certain buy-down rights in K2's favour. K2 may terminate the Agreement at any time during the option period.

Subsequent to the signing of the option agreement, the Company paid US\$ 96,089 for land taxes and US\$ 23,586 for legal fees pursuant to Mojave's option agreement. The Company also completed the first cash option payment of US\$ 112,500 and issued 480,000 common shares pursuant to Mojave's option agreement.

### 6. Share Capital

On May 25, 2015, the Company consolidated the Company's issued and outstanding common shares, stock options and warrants at a ratio of one new share for ten old shares. On March 2, 2016, the Company consolidated the Company's issued and outstanding common shares, stock options and warrants at ratio of one new share for four old shares. Unless otherwise indicated, all references to share capital, stock options and share purchase warrants presented in these condensed interim consolidated financial statements and notes thereto are on a post-consolidation basis. The Company undertook this consolidation of its capital to facilitate future financings.

#### a) Authorized Share Capital

At September 30, 2019, the authorized share capital comprised an unlimited number of common shares without par value.

#### b) Issued Share Capital

##### Transactions for the nine months ended September 30, 2019

On January 21, 2019, the Company issued 90,000 shares pursuant to the GDR Property earn in agreement. The fair value of these common shares was \$22,050 as at the time of their issuance (Note 5).

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## Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2019 and 2018

(Amounts are expressed in Canadian Dollars)

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### 6. Share Capital (continued)

#### b) Issued Share Capital (continued)

On February 8, 2019, the Company issued 500,000 shares to Go Cobalt pursuant to the Wels option agreement. The fair value of these common shares was \$127,500 as at the time of their issuance (Note 5).

On June 10, 2019, the Company extended the term of 3,962,000 common share purchase warrants originally set to expire on June 12, 2019 to June 12, 2020.

During the nine months ended September 30, 2019, 4,000,000 common shares were issued upon warrant exercise for gross proceeds of \$400,000. \$112,000 was reallocated from reserves to share capital.

On August 27, 2019, the Company closed a previously announced Private Placement and issued 14,000,000 units for total gross proceeds of \$3,500,000.

Each unit was issued at a price of \$0.25 and consisted of one common share of K2 and one half of one common share purchase warrant (each, a "Unit"). Each whole warrant will be exercisable to acquire one common share of K2 at an exercise price of \$0.40 for 24 months from the date of the closing of the Private Placement. The common share purchase warrants are 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 \$0.50 or more for a period of ten consecutive trading days. Finders fees of 694,800 common shares valued at \$229,284 were issued in relation to closing of the placement.

#### Transactions for the nine months ended September 30, 2018

In February 2018, the Company issued 500,000 shares with a value of \$122,500 as per the option agreement with Go Cobalt regarding the Wels property (Note 5).

In April 2018, the Company issued 100,000 shares with a value of \$25,000 as per the option agreement with Commander regarding the Flume Property (Note 5).

In April 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.

On June 12, 2018, the Company closed a Private Placement and issued a total of 4,122,000 Common Shares for gross proceeds of \$1,046,500.

The Private Placement consisted of non-flow-through units and flow-through units.

In connection with the non-flow-through portion, the Company issued 3,802,000 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 common share purchase warrants are subject to acceleration at the Company's discretion in the event the Company's common shares trade on a volume weighted average price (VWAP) basis of \$0.60 or more for a period of ten consecutive trading days.

In connection with the flow-through portion, the Company 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. The common share purchase warrants are subject to acceleration on the same terms as the NFT Unit warrants.

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### Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2019 and 2018

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#### 6. Share Capital (continued)

##### c) Warrants

Details of outstanding warrants are as follows:	Number of Warrants	Weighted Average Exercise Price
Outstanding warrants, December 31, 2017	9,353,440	\$ 0.27
Issued – unit warrants	3,962,000	\$ 0.37
Issued – finders' warrants	136,200	\$ 0.37
Expired	(5,353,440)	\$ 0.38
Outstanding warrants, December 31, 2018	8,098,200	\$ 0.24
Issued – unit warrants	7,000,000	\$0.25
Exercised	(4,000,000)	\$0.10
Expired	(136,200)	\$0.35
Outstanding warrants, September 30, 2019	10,962,000	\$ 0.39

At September 30, 2019, 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)
June 12, 2020	\$0.37	3,802,000	0.70
June 12, 2020	\$0.45	160,000	0.70
August 27, 2021	\$0.40	7,000,000	1.91
Weighted average exercise price and remaining contractual life	\$0.39	10,962,000	

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:

	Number of stock options	Weighted Average Exercise Price
Outstanding, December 31, 2017	1,250,000	\$0.30
Cancelled	(20,000)	\$0.30
Outstanding December 31, 2018	1,230,000	\$0.30
Granted	150,000	\$0.22
Cancelled	(180,000)	\$0.30
Outstanding September 30, 2019	1,200,000	\$0.29

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## Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2019 and 2018

(Amounts are expressed in Canadian Dollars)

### 6. Share Capital (continued)

#### d) Stock Options (continued)

The estimated grant date fair value of the options granted during 2019 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

Number of options granted	150,000
Risk-free interest rate	2.11%
Expected annual volatility	159%
Expected life	5 years
Expected dividend yield	0%
Grant date fair value per option	\$0.20
Share price at grant date	\$0.22

At September 30, 2019, 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	1,000,000	1,000,000	\$0.30	2.59
June 12, 2022	50,000	50,000	\$0.36	2.70
June 3, 2024	150,000	150,000	\$0.22	4.68
	1,200,000	1,200,000	\$0.29	2.85

### 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

#### a) Fair values (continued)

- 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.

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## Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2019 and 2018

(Amounts are expressed in Canadian Dollars)

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### 7. Financial Instruments (continued)

#### 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.

Investments in equity instruments which are classified as fair value through other comprehensive income and are measured at fair value, are listed on public stock exchanges, including TSX-V and OTC-QB. Recently, the markets have experienced extreme volatility. Therefore, sensitivity analysis is performed using 15%. For such investments, a 15% increase in equity prices as at September 30, 2019 would have increased investments in equity instruments by \$8,477. An equal change in the opposite direction would have had the equal but opposite effect on the amounts shown above.

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, however the Management estimates the risk to be insignificant. The Company has not entered into any derivative or other financial instruments to mitigate this foreign exchange risk.

#### e) 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 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 September 30, 2019. The Company is not subject to any externally imposed capital requirements.

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## Notes to Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2019 and 2018

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### 8. Related Parties

#### *Key management compensation*

Key management consists 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. The aggregate value of compensation with key management for the period ended September 30, 2019 was \$148,400 (September 30, 2018 - \$193,000) and was comprised of the following:

	Nine months ended September 30, 2019		Nine months ended September 30, 2018	
Exploration expense – field work	\$	15,975	\$	55,181
Personnel		132,425		137,819
Total	\$	148,400	\$	193,000

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

The balance payable to related parties at September 30, 2019 was \$36,673 (September 30, 2018 - \$Nil). These payables are generally unsecured, non-interest bearing and are expected to be repaid under normal trade terms.

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.

### 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 and the United States.