

# **K2 Gold Corporation**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

**In Canadian Dollars**

### **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, 2020 have not been reviewed by the Company's auditors.

**K2 Gold Corporation**  
**Condensed Interim Consolidated Statements of Financial Position**  
**For the Nine Months Ended September 30, 2020 and 2019**  
*(Amounts are expressed in Canadian Dollars)*

	Note(s)	September 30, 2020	December 31, 2019
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		\$ 2,999,062	\$ 2,880,811
Amounts receivable		30,297	18,298
Prepaid expenses		274,963	20,723
Marketable securities	4	-	61,373
		3,304,322	2,981,205
Exploration and evaluation assets	5,8	6,408,859	4,125,252
<b>TOTAL ASSETS</b>		<b>\$ 9,713,181</b>	<b>\$ 7,106,457</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	8	\$ 588,516	\$ 271,223
		588,516	271,223
<b>Long Term Liabilities</b>			
CEBA Loan	7	40,000	-
		40,000	-
<b>Shareholders' Equity</b>			
Share capital	6	21,736,055	18,063,244
Reserves	6	4,049,579	4,289,640
Accumulated other comprehensive income		-	50,335
Deficit		(16,700,969)	(15,567,985)
		9,084,665	6,835,234
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 9,713,181</b>	<b>\$ 7,106,457</b>

Nature of operations and going concern (Note 1)  
 Commitments (Note 9)

Approved on behalf of the Board of Directors on November 30, 2020

"Stephen Swatton", Director

"Craig Roberts", Director

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

**K2 Gold Corporation**  
**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**  
**For the Nine Months Ended September 30, 2020 and 2019**  
*(Amounts are expressed in Canadian Dollars)*

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
<b>Expenses</b>				
Advertising, marketing and promotion	\$ 221,868	\$ 14,384	\$ 281,693	\$ 42,223
Consulting	6,622	-	6,622	4,757
Corporate listing and filing fees	9,801	30,269	24,283	45,045
Office and administration	23,145	7,876	54,067	25,747
Personnel	75,584	57,975	234,330	181,025
Professional fees	84,111	23,035	200,368	45,606
Property investigation	-	-	-	5,026
Rent	6,154	6,495	22,485	19,485
Share-based compensation	320,555	-	351,808	30,622
Travel and conferences	11,073	11,101	40,833	43,435
<b>Loss Before the Undernoted</b>	<b>(758,913)</b>	<b>(151,135)</b>	<b>(1,216,489)</b>	<b>(442,971)</b>
<b>Other Income (Expenses)</b>				
Interest income	7,880	7,693	20,862	9,552
Realized gain on investments	-	-	62,643	-
<b>Loss for the Period</b>	<b>(751,033)</b>	<b>(143,442)</b>	<b>(1,132,984)</b>	<b>(433,419)</b>
Unrealized gain (loss) on marketable securities	-	12,804	-	3,533
<b>Comprehensive Loss for the Period</b>	<b>\$ (751,033)</b>	<b>\$ (130,638)</b>	<b>(1,132,984)</b>	<b>(429,886)</b>
<b>Loss per share – basic and diluted</b>	<b>\$ (0.015)</b>	<b>\$ (0.004)</b>	<b>(0.025)</b>	<b>(0.02)</b>
<b>Weighted average number of common shares outstanding</b>	<b>48,996,895</b>	<b>34,476,105</b>	<b>45,771,035</b>	<b>27,952,100</b>

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

**K2 Gold Corporation**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**For the Nine Months Ended September 30, 2020 and 2019**  
*(Amounts are expressed in Canadian Dollars)*

<b>Cash Provided By (Used In):</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>Operating activities:</b>			
Net loss for the period		\$ (1,132,984)	\$ (433,419)
Items not involving cash:			
Realized gain on investments	4	(62,643)	-
Share-based compensation	6	351,808	30,622
Change in non-cash working capital items:			
Accounts receivable		(11,999)	(38,103)
Prepaid expenses		(254,240)	17,433
Accounts payable and accrued liabilities		607,815	217,142
		(502,242)	(206,325)
<b>Investing activities:</b>			
Exploration and evaluation expenditures	5	(2,329,328)	(618,392)
		(2,329,328)	(618,392)
<b>Financing activities:</b>			
Proceeds from sale of marketable securities	4	73,681	3,500,000
Share issue costs	6	-	(20,029)
Proceeds from warrants exercised	6	2,807,640	400,000
Proceeds from options exercised	6	28,500	-
Proceeds from CEBA loan	7	40,000	-
		2,949,821	3,879,971
Net increase (decrease) in cash and cash equivalents		118,251	3,055,254
Cash and cash equivalents, beginning of year		2,880,811	316,624
Cash and cash equivalents, end of period		\$ 2,999,062	\$ 3,371,878

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

		\$		
Change in fair value of marketable securities			-	3,533
Exploration and evaluation assets included in accounts payable and accrued liabilities		\$	509,873	\$ -
Shares issued for exploration and evaluation assets	5,6	\$	244,800	\$ 374,698

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

**K2 Gold Corporation**  
**Condensed Interim Consolidated Statement of Changes in Shareholders' Equity**  
**For the Nine Months Ended September 30, 2020 and 2019**  
*(Amounts are expressed in Canadian Dollars)*

	Share Capital		Reserves	Accumulated Other Comprehensive Income	Deficit	Total
	Number of Shares	Amount				
<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 asset	1,282,764	374,698	-	-	-	374,698
Private placement – non-flow-through	14,000,000	2,913,848	586,152	-	-	3,500,000
Shares 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>28,479,070</b>	<b>\$ 14,905,579</b>	<b>\$ 3,266,325</b>	<b>\$ 45,478</b>	<b>\$ (14,969,485)</b>	<b>\$ 6,953,016</b>
<b>Balance, December 31, 2019</b>	<b>44,046,634</b>	<b>\$ 18,063,244</b>	<b>\$ 4,289,640</b>	<b>\$ 50,335</b>	<b>\$ (15,567,985)</b>	<b>\$ 6,835,234</b>
Shares issued for exploration & evaluation asset	480,000	244,800	-	-	-	244,800
Sale of marketable securities	-	-	-	(50,335)	-	(50,335)
Warrants exercised	7,077,000	2,807,640	-	-	-	2,807,640
Reclass of contributed surplus	-	567,325	(567,325)	-	-	-
Options exercised	100,000	28,500	-	-	-	28,500
Reclass of contributed surplus	-	24,545	(24,545)	-	-	-
Share-based compensation	-	-	351,808	-	-	351,808
Loss for the period	-	-	-	-	(1,132,984)	(1,132,984)
<b>Balance, September 30, 2020</b>	<b>51,703,634</b>	<b>\$ 21,736,055</b>	<b>\$ 4,049,579</b>	<b>\$ -</b>	<b>\$ (16,700,969)</b>	<b>\$ 9,084,665</b>

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

## **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 California, 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 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 June 30, 2020, 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.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

## **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, 2020 and the same accounting policies and methods of their application as the most recent annual financial statements of the Company. 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, 2019. 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, 2020.

### **b) Approval of the consolidated financial statements**

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on November 30, 2020.

## **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 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 subsidiaries Mojave Precious Metals Inc. ("Mojave Precious Metals") and K2 Gold Alaska Inc. ("K2 Gold Alaska"). The financial statements of Mojave Precious Metals Inc. and K2 Gold Alaska are included in the 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.

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

#### **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.

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.

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, 2019.

#### **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 common 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. All of these common shares were sold during quarter 1, 2020, resulting in total net proceeds of 73,681 and a realized gain of 62,643.

**K2 Gold Corporation** (An Exploration Stage Company)  
Notes to the Condensed Interim Consolidated Financial Statements  
For the Nine Months Ended September 30, 2020 and 2019  
(Amounts are expressed in Canadian Dollars)

**5. Exploration and Evaluation Assets**

<b>Mojave Property:</b>		<b>Acquisition Costs</b>	<b>Deferred Exploration</b>	<b>Total</b>
<b>Balance, December 31, 2018</b>	<b>\$</b>	-	-	-
Taxes Paid		127,813	-	127,813
Legal		39,781	-	39,781
Cash Payment		150,244	-	150,244
Shares issued		225,148	-	225,148
Geology		-	270,343	270,343
Aviation		-	2,017	2,017
Travel		-	79,914	79,914
<b>Balance, December 31, 2019</b>	<b>\$</b>	542,986	352,274	895,260
Cash Payment		316,964	-	316,964
Shares issued		244,800	-	244,800
Geology		-	1,344,920	1,344,920
Aviation		-	28,066	28,066
Land use & Licenses		-	170,574	170,574
Travel		-	162,693	162,693
<b>Balance, September 30, 2020</b>	<b>\$</b>	1,104,750	2,058,528	3,163,277

  

<b>Wels Property:</b>		<b>Acquisition Costs</b>	<b>Deferred Exploration</b>	<b>Total</b>
<b>Balance, December 31, 2018</b>	<b>\$</b>	<b>1,310,057</b>	<b>1,251,382</b>	<b>2,561,439</b>
Advanced royalty payment		20,000	-	20,000
Shares issued		127,500	-	127,500
Aviation		-	37,321	37,321
Community relations		-	2,649	2,649
Geology		-	70,707	70,707
Travel		-	36,221	36,221
<b>Balance, December 31, 2019</b>	<b>\$</b>	<b>1,457,557</b>	<b>1,398,280</b>	<b>2,855,837</b>
Community relations		-	100	100
Geology		-	14,490	14,490
<b>Balance, September 30, 2020</b>	<b>\$</b>	<b>1,457,557</b>	<b>1,412,870</b>	<b>2,870,427</b>

  

<b>Ladue Property:</b>		<b>Acquisition Costs</b>	<b>Deferred Exploration</b>	<b>Total</b>
<b>Balance, December 31, 2018</b>	<b>\$</b>	-	<b>135,326</b>	<b>135,326</b>
Aviation		-	7,500	7,500
Geology		-	22,384	22,384
Land use and licenses		-	1,087	1,087
Travel		-	455	455
<b>Balance, December 31, 2019</b>	<b>\$</b>	-	<b>166,752</b>	<b>166,752</b>
<b>Balance, September 30, 2020</b>	<b>\$</b>	-	<b>166,752</b>	<b>166,752</b>

**K2 Gold Corporation** (An Exploration Stage Company)  
Notes to the Condensed Interim Consolidated Financial Statements  
For the Nine Months Ended September 30, 2020 and 2019  
(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, 2018</b>	<b>\$</b>	<b>8,236</b>	<b>-</b>	<b>8,236</b>
Geology		-	38,467	38,467
Aviation		-	6,389	6,389
Land use and licenses		-	20,384	20,384
Travel		-	27	27
<b>Balance, December 31, 2019</b>	<b>\$</b>	<b>8,236</b>	<b>65,717</b>	<b>73,953</b>
<b>Balance, September 30, 2020</b>	<b>\$</b>	<b>8,236</b>	<b>65,717</b>	<b>73,953</b>

<b>GDR Property:</b>		<b>Acquisition Costs</b>	<b>Deferred Exploration</b>	<b>Total</b>
<b>Balance, December 31, 2018</b>	<b>\$</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash Payment		18,000	-	18,000
Shares issued		60,750	-	60,750
Geology		-	43,582	43,582
Aviation		-	721	721
Travel		-	10,397	10,397
<b>Balance, December 31, 2019</b>	<b>\$</b>	<b>78,750</b>	<b>54,700</b>	<b>133,450</b>
Geology		-	900	900
Community Relations		-	100	100
<b>Balance, September 30, 2020</b>	<b>\$</b>	<b>78,750</b>	<b>55,700</b>	<b>134,450</b>

<b>Total Exploration and Evaluation:</b>		<b>Acquisition Costs</b>	<b>Deferred Exploration</b>	<b>Total</b>
<b>Balance, December 31, 2019</b>	<b>\$</b>	<b>2,087,529</b>	<b>2,037,723</b>	<b>4,125,252</b>
<b>Balance, September 30, 2020</b>	<b>\$</b>	<b>2,649,293</b>	<b>3,759,566</b>	<b>6,408,859</b>

**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:

		<b>Cash option payments</b>		<b>Common shares issuance</b>	
July 12 2019 (Effective date)	UD\$	112,500	(paid)	480,000	(issued)
6-months from the effective date		112,500	(paid)		
12-months from the effective date		125,000	(paid)	480,000	(issued)
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>	

## 5. Exploration and Evaluation Assets (continued)

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% NSR 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 \$127,813 (US\$ 96,089) for land taxes and \$31,410 (US\$ 23,586) for legal fees pursuant to Mojave's option agreement. The Company completed the first cash option payment of \$150,244 (US\$ 112,500) and issued 480,000 common shares at a price of \$0.325 pursuant to Mojave's option agreement with a fair value of \$156,000. In connection with the Mojave Project agreement, the Company issued 212,764 common shares at a price of \$0.325 with a fair value of \$69,148 as finders' fees (Note 6). In the first quarter of fiscal 2020 the Company completed the second cash option payment of \$147,139 (US\$ 112,500) pursuant to Mojave's option agreement. In quarter three, the Company completed the third cash option payment of \$169,825 (US\$125,000) and issued 480,000 common shares at a price of \$0.51 pursuant to Mojave's option agreement with a fair value of \$244,800.

### Wels Property

The Company signed a definitive option agreement with Go Metals Corp. "Go Metals" (formerly "Go Cobalt Mining Corp.") 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>\$</b>	<b>350,000</b>	<b>3,000,000</b>	<b>*</b>

\* Upon completion of the payments and share issuances, the Company and Go Metals 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 Metals, 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% 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 Metals 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. Pursuant to the option agreement a \$20,000 annual advance royalty was paid in 2019 (2018 - \$20,000).

During the year ended December 31, 2019, the Company issued 500,000 common shares at a price of \$0.255 to Go Metals pursuant to the Wels option agreement. The fair value of these common shares was \$127,500 as at the time of their issuance (Note 6). The Company has now satisfied all of the terms of its option agreement with Go Metals and earned a 90% interest in the Wels property.

## 5. Exploration and Evaluation Assets (continued)

During the year ended December 31, 2018, the Company issued a total of 1,000,000 common shares with a fair value of \$237,500 pursuant to the agreement.

### Ladue Property

During the year ended December 31, 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 year ended December 31, 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:

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

On January 21, 2019, the Company issued its first share issuance of the agreement of 90,000 common shares at a price of \$0.245 with a fair value of \$22,050. In addition, the Company completed the first anniversary cash and share issue payments, The Company issued 180,000 common shares at a price of \$0.215 with a fair value of \$38,700 (Note 6).

## 6. Share Capital

### a) Authorized Share Capital

At September 30, 2020 and 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, 2020

During the nine months ended September 30, 2020, a total of 7,077,000 common shares were issued on the exercise of warrants for total proceeds of \$2,807,640. In connection with the issuance, a total of \$567,324 was reallocated from reserves to share capital.

#### Transactions for the year ended December 31, 2019

On January 21, 2019, the Company issued 90,000 common shares with a fair value of \$22,050 pursuant to the execution of the GDR property agreement (Note 5).

**6. Share Capital** (continued)

**b) Issued Share Capital** (continued)

On February 8, 2019, the Company issued 500,000 common shares at a price of \$0.255 to Go Metals 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 August 7, 2019, the Company issued 480,000 common shares with a fair value of \$156,000 pursuant to the Mojave option agreement (Note 5). The Company issued 212,764 common shares at a price of \$0.325 with a fair value of \$69,148 as finders' fees in relation to Mojave option agreement

On August 26, 2019, the Company closed a non-brokered private placement for gross proceeds of \$3,500,000. The Company issued a total of 14,000,000 common shares at a price of \$0.25 per share. Each unit consisted of one common share of the Company and one half of one common share purchase warrant. Each warrant is exercisable at price of \$0.40 for 24 months. The common share purchase warrants are subject to acceleration at the Company's discretion in the event its common shares trade on the TSX Venture Exchange ("TSX") on a volume weighted average price ("VWAP") basis of \$0.50 or more for a period of ten consecutive trading days. In connection with the private placement, the Company issued 694,800 common shares as finders' fees. The fair value of the shares issued was \$229,284 using a share price of \$0.33.

In connection with the financing, the Company incurred a cash share issuance costs of \$20,030 and non-cash share issuance costs of \$229,284. The net proceeds received from 14,000,000 units issued were allocated \$2,913,847 to share capital and \$586,153 to reserves based on their relative fair values.

On December 9, 2019, the Company issued 180,000 common shares pursuant to the GDR Property earn in agreement. The fair value of these common shares was \$38,700 as at the time of their issuance (Note 5).

During the year ended December 31, 2019, a total of 4,000,000 common shares were issued on the exercise of warrants for total proceeds of \$400,000. In connection with the issuance, a total of \$112,000 was reallocated from reserves to share capital.

**c) Warrants**

Details of outstanding warrants are as follows:	Number of Warrants	Weighted Average Exercise Price
Outstanding warrants, December 31, 2018	8,098,200	\$ 0.24
Issued – unit warrants	7,000,000	\$ 0.40
Exercised	(4,000,000)	\$ 0.10
Expired	(136,200)	\$ 0.37
Outstanding warrants, December 31, 2019	10,962,000	\$ 0.39
Exercised	(7,077,000)	\$ 0.40
Expired	(3,885,000)	\$ 0.38
Outstanding warrants, September 30, 2020	0	\$ 0.00

\* At September 30, 2020, the Company has zero outstanding warrants.

On July 23<sup>rd</sup>, 2020 the Company announced that it was accelerating the expiry date of the warrants issued by the Company in the August 27, 2019 private placement. Under the terms of the form of warrant, the Company is permitted to accelerate the expiry date if the common shares of the Company have traded on a stock exchange at a volume weighted average price of \$0.50 or higher for a period of 10 consecutive trading days. The acceleration event occurred as of July 23, 2020. Accordingly, the Company chose to accelerate the expiry date of the warrants to August 22, 2020. Holders of the warrants had until 4.00pm (Vancouver time) on August 22, 2020 to exercise the warrants in accordance with their terms. Warrants not exercised by such time and date, expired.

**6. Share Capital** (continued)

**c) Warrants** (continued)

In quarter three 2020 a total of 6,305,000 warrants were exercised for total gross proceeds of \$2,522,000. A total of \$527,729 was reallocated from reserves to share capital.

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. There was no financial statement impact on the value of these warrants as they were issued in connection with a private placement and were not compensatory.

**d) 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.

During the nine months ended September 30, 2020 the company granted a total of 800,000 stock options and 100,000 options were exercised for total gross proceeds of \$28,500

During the year ended December 31, 2019 the company granted a total of 2,400,000 stock options. The details relating to the grants are listed below.

The changes in stock options issued are as follows:

	Number of stock options	Weighted Average Exercise Price
Outstanding, December 31, 2018	1,230,000	\$0.30
Granted	2,400,000	\$0.27
Cancelled	(180,000)	\$0.30
Outstanding December 31, 2019	3,450,000	\$0.28
Exercised	(100,000)	\$0.285
Granted	800,000	\$0.54
Outstanding September 30, 2020	4,150,000	\$0.33

\* On October 2<sup>nd</sup>, 2020, subsequent to quarter end, 15,000 \$0.30 options were exercised.

The estimated grant date fair value of the options granted during 2019 & 2020 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31, 2019	February 20, 2020	July 2, 2020	September 28, 2020
Number of options granted	2,400,000	200,000	150,000	450,000
Risk-free interest rate	1.65%	1.33%	0.38%	0.35%
Expected annual volatility	98%	90%	118%	122%
Expected life	5 years	5 years	5 years	5 years
Expected dividend yield	0%	0%	0%	0%
Grant date fair value per option	\$0.19	0.156	0.369	\$0.589
Share price at grant date	\$0.27	0.225	0.45	\$0.71

**K2 Gold Corporation** (An Exploration Stage Company)  
Notes to the Condensed Interim Consolidated Financial Statements  
For the Nine Months Ended September 30, 2020 and 2019  
(Amounts are expressed in Canadian Dollars)

**6. Share Capital** (continued)

**d) Options** (continued)

As at September 30, 2020, 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	950,000	950,000	\$0.30	1.58
June 12, 2022	50,000	50,000	\$0.36	1.70
June 3, 2024	150,000	150,000	\$0.22	3.68
October 30, 2024	2,200,000	2,200,000	\$0.27	4.08
February 20, 2025	200,000	200,000	\$0.23	4.41
July 2, 2025	150,000	150,000	\$0.42	4.76
September 28, 2020	450,000	450,000	\$0.71	5.00
	4,150,000	4,150,000	\$0.33	3.61

**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 and cash equivalents, amounts receivable 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 cash equivalents and amounts receivable.

Cash and cash equivalents are 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.

## **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. All equity instruments were sold during quarter 1, 2020.

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 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.

In June of 2020 the Company received the \$40,000 interest free Canada Emergency Business Account (CEBA) loan. The program is operated by the Government of Canada. If the loan balance is paid on or before December 31, 2022, there will be loan forgiveness of 25%/\$10,000.

There were no changes in the Company's approach to capital management during the period ended September 30, 2020. The Company is not subject to any externally imposed capital requirements.

## 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. Total key management compensation are as follows:

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Exploration and evaluation assets	\$ 128,250	\$ 15,975
Personnel	173,250	179,425
<b>Total</b>	<b>\$ 301,500</b>	<b>\$ 195,400</b>

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

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Office rent *	\$ 22,485	\$ 19,485
Marketing and design *	13,500	9,000
<b>Total</b>	<b>\$ 35,985</b>	<b>\$ 28,485</b>

(\*) Cost recovery payments made to a company related to key management.

The balance payable to related parties at September 30, 2020 was \$8,320 (December 31, 2019 - \$4,002). 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. Commitments

### Lease

The company entered into a lease agreement with a third party to rent an office space commencing May 1, 2018 to April 29, 2021 for \$2,165 per month. In addition to the monthly rental payments, the Company is charged for the applicable GST costs.

The future rental payments are required as follows:

2020	\$ 25,980
2021	\$ 8,660

## 10. Segment Information

The Company operates in one reportable segment, being the acquisition, exploration and evaluation of mineral resources.