

ETHOS GOLD CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2018 AND 2017

(Stated in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Ethos Gold Corp.

Opinion

We have audited the accompanying consolidated financial statements of Ethos Gold Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Ethos Gold Corp. as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Peter Maloff.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

April 17, 2019

ETHOS GOLD CORP.
Consolidated Statements of Financial Position
As at December 31, 2018 and 2017
(Stated in Canadian Dollars)

	Note	December 31, 2018	December 31, 2017
Assets			
Current assets:			
Cash and cash equivalents		\$ 7,644,983	\$ 7,063,961
Amounts receivable		92,366	32,040
BC METC receivable	4	106,138	-
Prepaid expenses		44,771	47,883
Due from related parties	7	4,437	-
		<u>7,892,695</u>	<u>7,143,884</u>
Mineral interests	4	543,489	186,213
		<u>\$ 8,436,184</u>	<u>\$ 7,330,097</u>
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 81,519	\$ 79,404
Note payable	5	-	71,016
Due to related parties	7	12,900	14,714
Flow-through share premium	11	350,000	-
		<u>444,419</u>	<u>165,134</u>
Shareholders' Equity			
Share capital	6	24,763,936	23,104,436
Share option reserve	6	2,821,109	2,486,341
Share warrant reserve	6	3,119,377	3,065,932
Deficit		(22,712,657)	(21,491,746)
		<u>7,991,765</u>	<u>7,164,963</u>
		<u>\$ 8,436,184</u>	<u>\$ 7,330,097</u>

Nature of operations (Note 1)
 Commitments and contingencies (Note 11)
 Events after the reporting period (Note 14)

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

Approved by the Board of Directors and authorized for issue on April 17, 2019.

“Craig Roberts” Director

“Hendrik Van Alphan” Director

ETHOS GOLD CORP.**Consolidated Statements of Loss and Comprehensive Loss
For the Years ended December 31, 2018 and 2017
(Stated in Canadian Dollars)**

	Note	2018	2017
Expenses			
Consulting	7	\$ 213,193	\$ 393,233
Exploration and project evaluation	4	497,656	-
Listing and filing fees		53,010	37,222
Office and administrative		51,575	50,689
Professional fees		107,689	88,620
Rent		36,864	36,868
Share-based compensation	6 & 7	334,768	29,273
Travel and expenses		26,960	61,156
Loss before the undernoted		(1,321,715)	(697,061)
Other income (expenses)			
Interest income		102,387	68,869
Interest expense	5	(3,267)	-
Write-off of mineral interests	4	(1)	-
Foreign exchange (loss)/gain		1,685	(1,438)
Net loss and comprehensive loss for the year		\$ (1,220,911)	\$ (629,630)
Basic and diluted loss per share		\$ (0.03)	\$ (0.01)
Weighted average number of shares outstanding		47,666,203	47,339,765

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

ETHOS GOLD CORP.**Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended December 31, 2018 and 2017
(Stated in Canadian Dollars)**

	Share Capital		Share Reserves		Deficit	Total
	Number of Shares	Amount	Share Option Reserve	Share Warrant Reserve		
Balance, December 31, 2016	47,335,381	\$ 23,094,436	\$ 2,457,068	\$ 3,065,932	\$ (20,862,116)	\$ 7,755,320
Shares issued for mineral property	50,000	10,000	-	-	-	10,000
Share-based compensation	-	-	29,273	-	-	29,273
Net loss for the year	-	-	-	-	(629,630)	(629,630)
Balance, December 31, 2017	47,385,381	23,104,436	2,486,341	3,065,932	(21,491,746)	7,164,963
Private placement, net of issuance costs (Note 6)	7,000,000	1,960,000	-	-	-	1,960,000
Flow through share premium	-	(350,000)	-	-	-	(350,000)
Shares issued for mineral property	300,000	49,500	-	-	-	49,500
Warrants issued for mineral property	-	-	-	53,445	-	53,445
Share-based compensation	-	-	334,768	-	-	334,768
Net loss for the year	-	-	-	-	(1,220,911)	(1,220,911)
Balance, December 31, 2018	54,685,381	\$ 24,763,936	\$ 2,821,109	\$ 3,119,377	\$ (22,712,657)	\$ 7,991,765

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

ETHOS GOLD CORP.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017
(Stated in Canadian Dollars)

	2018	2017
Operating activities		
Net loss for the year	\$ (1,220,911)	\$ (629,630)
Item not affecting cash:		
Write-off of mineral interests	1	-
Share-based compensation	334,768	29,273
Changes in non-cash working capital components		
Amounts receivable	(60,326)	(26,034)
Due from related parties	(4,437)	-
Prepaid expenses	3,112	(26,180)
BC METC receivable	(106,138)	-
Accounts payable and accrued liabilities	2,115	58,147
Note payable	(71,016)	-
Due to related parties	(1,814)	9,199
Cash used in operating activities	(1,124,646)	(585,225)
Investing activities		
Acquisition of mineral properties	(254,332)	(105,196)
Cash used in investing activities	(254,332)	(105,196)
Financing activities		
Common shares issued, net of share issuance costs	1,960,000	-
Cash provided by financing activities	1,960,000	-
Increase (Decrease) in cash and cash equivalents	581,022	(690,421)
Cash and cash equivalents, beginning of year	7,063,961	7,754,382
Cash and cash equivalents, end of year	\$ 7,644,983	\$ 7,063,961
Cash and cash equivalents consisted of		
Cash on deposit with a Canadian Senior Bank	\$ 7,604,891	\$ 7,023,869
Term deposits and Guaranteed investment certificates issued by a Canadian Senior Bank	40,092	40,092
	\$ 7,644,983	\$ 7,063,961

Supplemental Cash Flow Information (Note 8)

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

ETHOS GOLD CORP.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

Ethos Gold Corp. (the “Company” or “Ethos”) was incorporated on March 12, 2007 under the British Columbia Business Corporations Act. In 2009, it began trading on the TSX Venture Exchange (“TSX-V”) as a Tier 2 company under the symbol ECC. Its registered office is located at 1430 – 800 West Pender Street, Vancouver, BC, V6C 2V6. The Company’s principal business activities are the identification, exploration and development of economically viable mineral properties.

These consolidated financial statements have been prepared on the basis that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The ability of the Company to continue as a going concern is dependent on obtaining additional financing and if required through the issuance of debt or equity. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These consolidated financial statements do not reflect the adjustments or reclassifications that would be necessary if the Company were unable to continue operations in the normal course of business.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements, including the comparative statements, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). IFRS comprises IFRSs, International Accounting Standards (“IASs”), and interpretations issued by the IFRS Interpretations Committee (“IFRICs”). These consolidated financial statements have been prepared in accordance with IFRS standards and interpretations effective as of December 31, 2018, with significant accounting policies as described in Note 3.

Basis of Preparation

These consolidated financial statements have been prepared on a historical cost basis, except for cash and cash equivalents classified as fair value through profit or loss which has been measured at fair value.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company, its Canadian subsidiary 1088151 B.C. Ltd., and its Mexican subsidiary Compañía Minera Roca Dorada, SA de CV. Subsidiaries are entities controlled by the Company. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over its subsidiary. All significant inter-company balances and transactions have been eliminated upon consolidated.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make estimates and judgments and form assumptions that affect the reported amounts and other disclosures in these consolidated financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

ETHOS GOLD CORP.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Accounting estimates and judgments (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates used in the preparation of these consolidated financial statements include, among others, the recoverability of amounts receivable and carrying values of mineral interests and equipment, the fair value of options and warrants issued, and the fair value of reclamation obligations. Actual results may differ from those estimates.

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting judgments include the expected economic lives of and the estimated future operating results and net cash flows from property and equipment.

(b) Reporting and functional currencies

The Company's reporting currency and the functional currency of all of its operations, including that of its subsidiaries, is the Canadian dollar.

Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. At each statement of financial position date, monetary assets and liabilities are translated using the period-end foreign exchange rate. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when acquired. All gains and losses on translation of these foreign currency transactions are included in the statement of loss.

(c) Cash and cash equivalents

Cash and cash equivalents consist of balances on deposit and investments in highly liquid short-term deposits, which are readily convertible into known amounts of cash and which are subject to minimal risks of changes in fair value.

(d) Mineral interests

Mineral interests are recorded at cost less accumulated impairment losses. All direct costs related to the acquisition of mineral properties are capitalized until the properties to which they relate are ready for their intended use, sold, abandoned or management has determined there to be impairment. Exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property and equipment. Upon commencement of commercial production, net capitalized costs are charged to operations on a unit-of-production basis, by property, using estimated proven and probable recoverable reserves as the depletion base.

ETHOS GOLD CORP.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2018 and 2017 (Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Equipment

Equipment is recorded at cost and amortized over its estimated useful life. The Company records amortization on a declining balance basis at the following annual rates. The amortization rates are reduced by one-half in the years of acquisition and disposal.

Computer equipment	30%
Office equipment	20%

(f) Impairment of assets

At the end of each reporting period, the Company reviews the carrying amounts of its property and equipment to determine whether there is an indication that those assets have suffered impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment charge (if any).

The recoverable amount used for this purpose is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assignments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its recorded amount, the recorded amount of the asset is reduced to its recoverable amount. An impairment charge is recognized immediately in the statement of loss and comprehensive loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to a maximum amount equal to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

(g) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

ETHOS GOLD CORP.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Reclamation obligations

Liabilities related to environmental protection and reclamation costs are recognized when the obligation is incurred and the fair value of the related costs can be reasonably estimated. This includes future site restoration and other costs as required due to environmental law or contracts. At December 31, 2015, there were no reclamation liabilities.

(i) Share capital

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

Flow-through shares

The Company will, from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as recovery from issuance of flow-through shares. Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

(j) Income recognition

Interest from cash and short term investments is recorded on an accrual basis when collection is reasonably assured.

(k) Comprehensive income or loss

Other comprehensive income or loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources. Comprehensive income comprises net income or loss and other comprehensive income or loss. At present, the Company has no other comprehensive income or loss.

(l) Share-based payments

The Company uses the fair value method of accounting for options granted under its share purchase option plan. Options granted to directors, officers and employees are measured at fair value, which is charged to operations over the applicable vesting period, with an offsetting credit to share option reserves. Options granted to non-employees are measured at fair value of goods and services received, which is charged to operations at the date the options are fully vested, with an offsetting credit to share option reserves. The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. Cash received on the exercise of share options is recorded in share capital and the related compensation included in share option reserves is transferred to share capital to recognize the total consideration for the shares issued.

ETHOS GOLD CORP.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Income taxes

The provision for income taxes consists of current and deferred tax expense and is recorded in operations. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the year, adjusted for amendments to tax payable for previous years.

Deferred tax assets and liabilities are computed using the asset and liability method on temporary differences between the carrying amounts of assets and liabilities on the statement of financial position and their corresponding tax values, using the enacted or substantially enacted, income tax rates at each statement of financial position date. Deferred tax assets also result from unused losses and other deductions carried forward. The valuation of deferred tax assets is reviewed on a regular basis and adjusted to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized by use of a valuation allowance to reflect the estimated realizable amount.

(n) Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The number of additional shares is calculated by assuming that outstanding share options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. Common share equivalents have been excluded from the computation of diluted loss per share for the years presented as including them would have been anti-dilutive.

(o) Adoption of new accounting policies

IFRS 9 Financial Instruments

The final version of IFRS 9, Financial Instruments, was issued in July 2014 to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. Classification is determined at initial recognition in one of the following categories: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or at amortized cost. In addition, the standard amended some of the requirements of IFRS 7, Financial Instruments: Disclosures, including the requirement for added disclosures about investments in equity instruments measured at FVOCI and guidance on financial liabilities and derecognition of financial instruments. The Company adopted the standard on January 1, 2018 and determined there is no impact to the timing or amounts of financial instruments recognized in the consolidated financial statements.

ETHOS GOLD CORP.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2018 and 2017 (Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Adoption of new accounting policies

The Company has assessed the classification and measurement of its financial assets and financial liabilities under IFRS 9 and have summarized the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 in the following table:

	Measurement Categories	
	IAS 39	IFRS 9
Cash and cash equivalent	Amortized cost	Amortized cost
Amounts receivables	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost
Note payable	Amortized cost	Amortized cost

The following is the new accounting policy for financial instruments under IFRS 9:

Financial instruments

The Company recognizes financial assets and liabilities on the balance sheet when the Company becomes party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents is classified and measured at amortized cost.

Amounts receivable, accounts payable and accrued liabilities, and due to related parties

Amounts receivable, accounts payable and accrued liabilities, and due to related parties are non-interest bearing and are initially measured at fair value, subsequently recorded at amortized cost which approximates fair value due to the short term to maturity. Amounts receivable are classified as financial assets measured at amortized cost and accounts payable and accrued liabilities, notes payable and due to related parties are classified as financial liabilities measured at amortized cost.

Debt

The Company initially recognizes all financial liabilities at fair value and classifies them as subsequently measured at either FVTPL or amortized cost, as appropriate. For debt subsequently measured at amortized cost, the effective interest rate method is used. Debt required to be classified as FVTPL is measured at fair value on each financial period-end date with gains and losses flowing through the consolidated statement of loss. For debt that is optionally classified as FVTPL, the part of the fair value change related to the Company's own credit risk is recorded in OCI rather than the consolidated statement of loss.

Impairment of financial assets

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, we measure the loss allowance for the financial asset at an amount equal to twelve month expected credit losses.

ETHOS GOLD CORP.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2018 and 2017 (Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Adoption of new accounting policies (continued)

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

Derecognition of financial assets

Financial assets are derecognized when the investments mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized within other non-operating income. Accumulated gains or losses on financial assets classified as FVOCI remain within accumulated other comprehensive income.

(p) Accounting policies not yet adopted

The IASB issued the following new pronouncements that may affect the Company's future financial statements. The Company has evaluated the new standard and does not anticipate any material impact from the adoption of this standard but will continue to monitor as the adoption period approaches.

- IFRS 16: Leases ("IFRS 16"): This standard replaces IAS 17 – Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019.

4. MINERAL INTERESTS

	La Purisima (a)	Pine Pass (b)	WC Property (c)	Total
Balance, December 31, 2016	\$ -	\$ -	\$ 1	\$ 1
Acquisition costs	186,212	-	-	186,212
Balance, December 31, 2017	186,212	-	1	186,213
Acquisition costs	243,125	114,152	-	357,277
Written off	-	-	(1)	(1)
Balance, December 31, 2018	\$ 429,337	\$ 114,152	\$ -	\$ 543,489

ETHOS GOLD CORP.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2018 and 2017 (Expressed in Canadian Dollars)

4. MINERAL INTERESTS (continued)

During the year ended December 31, 2018 the Company incurred the following exploration expenses:

	La Purisima (a)	Pine Pass (b)	Total
Geological consulting	\$ 178,376	\$ 215,128	\$ 393,504
Assays	22,471	19,397	41,868
Field costs	-	17,624	17,624
Camp costs	-	54,788	54,788
Transportation	-	36,019	36,019
Supplies	-	10,836	10,836
Concession taxes	26,644	-	26,644
Surface access	22,511	-	22,511
BC METC	-	(106,138)	(106,138)
	\$ 250,002	\$ 247,654	\$ 497,656

During the year ended December 31, 2018 the Company recorded a BC Mineral Exploration Tax Credit ("BC METC") receivable of \$106,138. This amount relates to the qualifying exploration expenditures incurred at the Company's Pine Pass project and is receivable from the Government of British Columbia.

During the year ended December 31, 2017 the Company did not incur any exploration expenses.

a) La Purisima, Mexico

- i. On November 24, 2017, the Company, through its wholly owned Mexican subsidiary, Compañía Minera Roca Dorada, S.A. de C.V., entered into an option to purchase agreement whereby the Company owns the right to acquire a 100% interest in the La Purisima project, located in Chihuahua, Mexico. Pursuant to the option purchase agreement, the Company can exercise the option to acquire 100% of the La Purisima project by making cash payments totaling US\$3,495,000; issuing 3,000,000 common shares of the Company over a 72-month period (as set out in the table below) and on exercising the option grants a 2% net smelter returns royalty of which 1% can be repurchased for US\$1 million. The Company was obligated to pay outstanding mining duties of 1,025,614 Mexican Pesos on signing (paid - \$71,016) (Note 7) and incurred legal fees of \$37,712.

	Cash	Shares
On date of signing	US\$45,000 (paid - \$67,484)	50,000 (issued - \$10,000)
12 months from the date of signing	US\$100,000 (paid - \$134,990)	100,000 (issued - \$21,500)
24 months from the date of signing	US\$250,000	250,000
36 months from the date of signing	US\$350,000	350,000
48 months from the date of signing	US\$500,000	500,000
60 months from the date of signing	US\$750,000	750,000
72 months from the date of signing	US\$1,500,000	1,000,000

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Notes to the Consolidated Financial Statements For the Years Ended December 31, 2018 and 2017 (Expressed in Canadian Dollars)

4. MINERAL INTERESTS (continued)

a) La Purisima, Mexico (continued)

- ii. On August 24, 2018, the Company, through its wholly owned Mexican subsidiary, Roca Dorada, entered into an option to purchase agreement whereby the Company owns the right to acquire a 100% interest in 897 hectares of mineral concessions contiguous to the Company's La Purisima project, located in Chihuahua, Mexico. The Company, at its sole election, can exercise its option to earn its' 100% interest in the property at any time during the 10 years following the closing of the option agreement by paying the vendor US\$550,000.

To retain its right to acquire a 100% interest in the contiguous concessions the Company must make advance net smelter returns royalty ("NSR") payments to the vendor as follows:

	Cash
On closing	US\$25,000 - paid
On the first anniversary of closing	US\$35,000
On the second anniversary of closing	US\$35,000
On the third anniversary of closing and every subsequent year thereafter until commercial production has commenced	US\$50,000

In addition to the cash payments, the Company issued 1,500,000 share purchase warrants entitling the vendor to acquire 1,500,000 common shares of the Company at a price of \$0.15 per share. The warrants will be exercisable for a period of five years, vesting as follows: 500,000 on closing; 500,000 eighteen months after closing; 500,000 thirty-six months after closing. The second and third tranches of warrants will only vest if the Company has not terminated the option agreement prior to their vesting dates. As at December 31, 2018, \$53,445 is included in mineral property acquisition costs relating to the vested warrants.

Upon closing, the Company paid US\$5,500 in outstanding concession taxes. During the term of the option agreement, the Company must keep the concession in good standing by paying the annual concession taxes.

Upon exercising the option, the Company will grant the vendor a 2.0% NSR on the property, of which half can be repurchased at any time by the Company by paying the vendor US\$1,000,000.

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Notes to the Consolidated Financial Statements For the Years Ended December 31, 2018 and 2017 (Expressed in Canadian Dollars)

4. MINERAL INTERESTS (continued)

b) Pine Pass Project, British Columbia

On July 31, 2018, the Company entered into an option agreement to acquire a 100% interest in three vanadium projects (Pine Pass, Ursula and Tunnel) in north eastern British Columbia. The Company can earn a 100% interest in the three projects by making the following cash payments and share issuances:

	Cash	Shares
Within five days of TSX Venture acceptance	\$80,000 (paid)	200,000 (issued)
On the first anniversary	\$120,000	400,000
On the second anniversary	\$160,000	600,000
On the third anniversary	\$240,000	800,000
On the fourth anniversary	\$400,000	1,000,000

If the Company completes the 100% acquisition of the three properties by making the above cash payments and share issuances the Company will grant to the vendors a 2.0% NSR royalty on all three projects, of which half can be repurchased at any time by the Company by paying the vendors \$1,500,000.

Subsequent to December 31, 2018, the Company received a letter indicating the potential expansion of a Provincial Protected Area overlapping the Company's Pina Pass project. The Company is monitoring the status of this potential expansion, which may affect further exploration of the project if adopted.

Subsequent to December 31, 2018, the company did not renew the Tunnel project.

c) WC Property, Yukon

The Company staked a 44 claim property in 2012. The claims expired during the year ended December 31, 2018 resulting in the Company writing off the final balance of \$1.

5. NOTE PAYABLE

On December 4, 2017, the Company issued a promissory note payable to facilitate the payment of the mining duties payable in Mexico relating to the acquisition of the La Purisima mineral property (Note 4). The note principle is \$70,495 and bears interest of 10% per annum and is payable on demand. Total interest expense of \$3,267 is included in the statements of loss and comprehensive loss.

During the year ended December 31, 2018 the Company repaid \$74,283 in principal and accrued interest.

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Notes to the Consolidated Financial Statements For the Years Ended December 31, 2018 and 2017 (Expressed in Canadian Dollars)

6. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value
Unlimited number of preferred shares without par value

(b) Common shares – issued and outstanding

Common shares - At December 31, 2018, the Company had 54,685,381 (December 31, 2017 – 47,335,381) common shares issued and outstanding.

Preferred shares – At December 31, 2018 and December 31, 2017 no preferred shares were issued and outstanding.

- i) On December 21, 2018, the company completed a non-brokered private placement of 7,000,000 Flow-Through Units (the “FT Units”) of the Company at a price of \$0.28 per FT Unit for gross proceeds of \$1,960,000. Each FT Unit consists of one common share of the Company to be issued on a flow-through basis under the Income Tax Act (Canada) and one-half of one non-flow through common share purchase warrant (each whole warrant, a “Warrant”). Each Warrant entitles the holder to purchase one non-flow-through common share of the Company at a purchase price of \$0.30 per share until December 31, 2020. The Company recognized a flow through premium liability of \$350,000 on issuance. The residual value of the private placement of \$1,610,000 was allocated to share capital.
- ii) On November 26, 2018, the company issued 100,000 common shares relating to the acquisition of the La Purisima mineral property (Note 4).
- iii) On August 8, 2018, the company issued 200,000 common shares relating to the acquisition of the Pine Pass mineral property (Note 4).
- iv) On December 5, 2017, the company issued 50,000 common shares relating to the acquisition of the La Purisima mineral property (Note 4).

(c) Share purchase options

Share purchase options are granted at an exercise price equal to the estimated fair value of the Company’s common shares on the date of the grant.

On June 22, 2010, the Company implemented a new Share Option Plan for the benefit of directors, employees, management company employees and consultants of the Company. The Plan provides that the directors of the Company may grant options to purchase common shares on terms that the directors may determine. The maximum aggregate number of common shares that may be reserved for issuance under the Plan is 10% of the issued and outstanding common shares of the Company at the time of grant. At December 31, 2018, 4,765,000 share purchase options were outstanding.

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Notes to the Consolidated Financial Statements For the Years Ended December 31, 2018 and 2017 (Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

(c) Share purchase options (continued)

A summary of the status of the Company's share purchase options outstanding as at December 31, 2018 and 2017 and changes during the years ended on those dates are presented below:

	2018		2017	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of year	3,090,000	\$0.28	3,190,000	0.28
Granted	3,000,000	\$0.18	250,000	\$0.20
Expired	(1,325,000)	\$0.32	(350,000)	\$0.18
Outstanding at end of year	4,765,000	\$0.20	3,090,000	\$0.28

As at December 31, 2018, the following share purchase options were outstanding:

Expiry date	Outstanding Options	Weighted Average Exercise Price	Weighted Average Remaining contractual life (in years)	Exercisable Options
Feb 13, 2019*	325,000	\$0.22	0.12	325,000
Aug 2, 2019	100,000	\$0.20	0.59	100,000
Jul 29, 2020	225,000	\$0.15	1.58	225,000
Jun 22, 2021	865,000	\$0.30	2.48	865,000
Dec 3, 2022	250,000	\$0.20	3.93	250,000
Jul 26, 2023	2,650,000	\$0.17	4.49	2,650,000
Dec 4, 2023	350,000	\$0.23	4.93	350,000
	4,765,000	\$0.28	3.25	4,765,000

* On February 13, 2019, 325,000 options expired unexercised.

The weighted average grant-date fair value of share purchase options granted during the fiscal year ended December 31, 2018 was \$0.11 (2017 - \$0.12) per share purchase option. The Company determines the fair value of options granted using the Black-Scholes model for share purchase options issued to employees. The Company determines the fair value of share purchase options issued to non-employees using the value of services provided by the non-employees.

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Notes to the Consolidated Financial Statements For the Years Ended December 31, 2018 and 2017 (Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

(c) Share purchase options (continued)

The following weighted-average grant date assumptions were used in valuing share purchase options granted during the years to directors, officers and employees:

	2018	2017
Weighted average share price	\$0.18	\$0.20
Weighted average exercise price	\$0.18	\$0.20
Risk-free interest rate	1.99%	1.69%
Expected volatility ⁽¹⁾	71.19%	70%
Expected years of option life ⁽²⁾	5	5
Expected dividends	Nil	Nil

⁽¹⁾ Expected volatility was determined based on the historical volatility of the Company over a period commensurate with the expected option life.

⁽²⁾ The effects of early exercise were not incorporated into the model as the options are expected to be held for the contractual life.

(d) Share purchase warrants

As at December 31, 2018 the Company had share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price	Expiry Date	Outstanding, December 31, 2017	Issued	Expired	Outstanding, December 31, 2018
\$0.30	May 12, 2018*	3,876,470	-	-	3,876,470
\$0.15	August 24, 2023**	-	1,500,000	-	1,500,000
\$0.30	December 21, 2020	-	3,500,000	-	3,500,000
		3,876,470	5,000,000	-	8,876,470

* During the year ended December 31, 2018, the Company extended the expiry date of the warrants from May 12, 2018 to November 12, 2019.

** The first tranche of 500,000 warrants vested on August 23, 2018. The second tranche of 500,000 warrants will vest on February 23, 2020 and the final tranche of 500,000 warrants will vest on August 23, 2021. The weighted average grant-date fair value of these warrants was \$0.08. Refer to Note 4(a)(ii).

The following weighted-average grant date assumptions were used in valuing share purchase warrants granted with respect to the Company's mineral interests (Note 4):

	2018	2017
Weighted average share price	\$0.14	n/a
Weighted average exercise price	\$0.15	n/a
Risk-free interest rate	2.16%	n/a
Expected volatility ⁽¹⁾	70.36%	n/a
Expected years of option life ⁽²⁾	5	n/a
Expected dividends	Nil	n/a

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Notes to the Consolidated Financial Statements For the Years Ended December 31, 2018 and 2017 (Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS

Related party transactions are recorded at the exchange amount as agreed to by the parties. Related party transactions not otherwise disclosed in these consolidated financial statements are:

- (a) The Company paid \$170,000 (2017 - \$284,550) in consulting fees to private companies controlled by certain directors and officers of the Company.
- (b) The Company paid \$nil (2017 - \$36,000) in rent to a private company controlled by a director of the Company.
- (c) \$12,900 is payable to two directors at December 31, 2018 (2017 – \$14,714) for consulting and director fees.
- (d) \$4,437 is receivable from a director at December 31, 2018 (2017 – \$nil) related to expenses reimbursable to the Company. Subsequent to December 31, 2018, \$4,437 was received by the Company.
- (e) On December 4, 2017, the Company issued a note payable in the amount of \$70,495 to a Company with a shared director (Note 4). The note payable bears interest of 10% per annum and is payable on demand. During the year ended December 31, 2018 the Company repaid \$74,283 in principle and accrued interest.

Key personnel compensation

	For the year ended	
	December 31, 2018	December 31, 2017
Consulting fees	\$ 170,000	\$ 284,550
Directors fees	9,600	19,200
Share-based compensation	269,775	29,273
	<u>\$ 449,375</u>	<u>\$ 333,023</u>

8. SUPPLEMENTAL CASH FLOW INFORMATION

	2018	2017
Interest received	\$75,670	\$ 68,869
Interest paid	-	-

During the year ended December 31, 2018, the Company entered into the following non-cash transactions:

- The Company recognized a flow through premium on its private placement of \$350,000.
- The Company issued 300,000 common shares for mineral interests valued at \$49,500.
- The Company issued 1,500,000 share purchase warrants related to the La Purisima mineral interest (Note 4). The Company recognized \$53,445 in mineral interest acquisition costs related to these warrants.

During the year ended December 31, 2016, the Company did not have any non-cash financing or investing activities.

- The Company entered into a note payable of \$71,016 to settle mining duties payable in Mexico.
- The Company issued 50,000 common shares for mineral interests valued at \$10,000.

ETHOS GOLD CORP.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2018 and 2017 (Expressed in Canadian Dollars)

9. SEGMENT INFORMATION

- (a) The Company operates in one industry segment (Note 1).
- (b) At December 31, 2018 and 2017, the Company's mineral interests were located as follows:

	2018	2017
Mineral interests		
Chihuahua, Mexico	\$ 429,337	\$ 186,212
British Columbia, Canada	\$ 114,152	\$ -
Yukon, Canada	\$ -	\$ 1

The Company's other assets and liabilities and net expenses are attributable to its corporate office and exploration and project evaluation activities in Canada and Mexico.

10. INCOME TAXES

The income tax expense or recovery reported by the Company differs from the amounts obtained by applying statutory rates to the net loss before income tax. A reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is:

	2018	2017
Net loss	1,327,049	629,630
Combined statutory income tax rate	27%	26%
Income tax recovery at combined statutory tax rate	358,000	164,000
Non-deductible or non-taxable items, net	(117,000)	(9,000)
Deductible costs	18,000	133,000
Unrecognized tax benefits	(259,000)	(288,000)
Provision for income taxes	\$ -	\$ -

The Company's deferred tax assets and liabilities at December 31, 2018 and 2017 are:

	2018	2017
Deferred tax assets		
Mineral interests	\$ 2,085,000	\$ 1,938,000
Equipment	14,000	14,000
Share issue costs	1,000	1,000
Tax loss carry-forwards	1,920,000	1,808,000
Unrecognized deferred tax assets	\$ 4,020,000	\$ 3,476,000

The Company estimates that the realization of income tax benefits related to these deferred tax assets is uncertain and accordingly no deferred tax asset has been recognized.

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Notes to the Consolidated Financial Statements For the Years Ended December 31, 2018 and 2017 (Expressed in Canadian Dollars)

10. INCOME TAXES (continued)

As at December 31, 2018, the Company had non-capital tax losses that may be carried forward and used to reduce taxable income of future years. These losses will expire as follows:

Year of origin	Year of expiry	Amount
2007	2027	56,637
2008	2028	77,150
2009	2029	231,098
2010	2030	442,899
2011	2031	1,538,390
2012	2032	1,173,930
2013	2033	898,400
2014	2034	658,919
2015	2035	572,289
2016	2036	451,708
2017	2037	596,279
2018	2038	410,301

As at December 31, 2018, the Company has unused income tax credits of \$ 170,000 (2016 - \$170,000) that may be carried forward and used to reduce income taxes of future years. These income tax credits expire between 2031 and 2033.

11. COMMITMENTS AND CONTINGENCIES

The Company's exploration activities in Canada and Mexico are subject to various federal, provincial and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment, and believes its operations are materially in compliance with all applicable laws and regulations. The Company makes, and expects to make in the future, expenditures to comply with such laws and regulations, including any reclamation at its mineral properties, on a continuous basis.

During the year ended December 31, 2018, the Company recognized a flow through share premium liability of \$350,000. At December 31, 2018, no expenditures had been incurred to reduce this liability.

12. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard its ability to pursue its objectives. The Company measures its capital as its shareholders' equity. The Company's primary source of capital is the issuance of equity.

The Company manages and adjusts its capital structure whenever changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek additional funding.

The Company may require additional funding to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required, but recognizes there will be risks involved that may be beyond its control.

The Company expects its current capital resources will be sufficient to carry out its exploration plans and operations through at least the next twelve months. There are no external restrictions on the Company's capital.

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Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS

The Company is exposed to credit risk, liquidity risk and interest rate risk from its financial instruments which include cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities. The Company is not exposed to significant market or other price risks.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and short term investments are on deposit at a major financial institution. Amounts receivable consist primarily of goods and services tax refunds due from the Government of Canada and are neither past due nor impaired. As such, the Company considers its exposure to credit risk to be minimal.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. The Company is exposed to liquidity risk through its accounts payable, accrued liabilities and amounts due to related parties, which are all due on demand. The Company uses cash forecasts to ensure as far as possible that there is sufficient cash on hand to meet short-term business requirements. Cash is invested in highly liquid investments which are available to discharge obligations when they come due.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the fair value or future cash flows of the Company's financial instruments. The Company is exposed from time to time to interest rate risk as a result of holding fixed rate temporary investments of varying maturities. The Company reduces the risk that it will realize a loss as a result of a decline in the fair value of these investments by limiting these investments to highly liquid securities with short-term maturities.

As at December 31, 2018, the Company estimates that a 1% change in prevailing interest rates would change the fair value of future cash flows from the Company's financial instruments by approximately \$6,000 (2017 - \$1,000).

14. EVENTS AFTER THE REPORTING PERIOD

- a) On January 10, 2019, the Company granted 400,000 share purchase options exercisable for a period of three years at an exercise price of \$0.20.
- b) On January 28, 2019, 175,000 share purchase options with an exercise price of \$0.15 were exercised for gross proceeds of \$26,250 to the Company.