

ETHOS GOLD CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(Stated in Canadian dollars)

Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

ETHOS GOLD CORP.
Condensed Interim Consolidated Statements of Financial Position
(Stated in Canadian Dollars)
(Unaudited)

| | Note | June 30, 2018 | December 31, 2017 |
|---|------|------------------|----------------------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | | \$ 6,700,978 | \$ 7,063,961 |
| Amounts receivable | | 22,574 | 32,040 |
| Prepaid expenses | | 24,838 | 47,883 |
| | | 6,748,390 | 7,143,884 |
| Mineral interests | 3 | 186,212 | 186,213 |
| | | \$ 6,934,602 | \$ 7,330,097 |
| Liabilities and Shareholders' Equity | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | | \$ 36,673 | \$ 79,404 |
| Note payable | 4 | - | 71,016 |
| Due to related parties | 6 | 73,861 | 14,714 |
| | | 110,534 | 165,134 |
| Shareholders' Equity | | | |
| Share capital | 5 | 23,104,436 | 23,104,436 |
| Share option reserve | | 2,775,189 | 2,486,341 |
| Share warrant reserve | | 3,065,932 | 3,065,932 |
| Deficit | | (22,121,489) | (21,491,746) |
| | | 6,824,068 | 7,164,963 |
| | | \$ 6,934,602 | \$ 7,330,097 |

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

Approved by the Board of Directors and authorized for issue on August 27, 2018.

 "Craig Roberts" Director

 "Hendrik Van Alphen" Director

ETHOS GOLD CORP.**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss****(Stated in Canadian Dollars)****(Unaudited)**

| | | Three months ended June 30, | | Six months ended June 30, | |
|---|-------|--------------------------------|---------------------|------------------------------|---------------------|
| | Note | 2018 | 2017 | 2018 | 2017 |
| Expenses | | | | | |
| Consulting | 6 | \$ 46,686 | \$ 90,927 | \$ 124,167 | \$ 182,427 |
| Exploration and project evaluation | 6 | 55,036 | - | 123,015 | - |
| Listing and filing fees | | 18,801 | 11,484 | 29,138 | 24,006 |
| Office and administrative | 6 | 11,908 | 12,713 | 20,345 | 27,355 |
| Professional fees | | 29,992 | 33,554 | 52,156 | 38,027 |
| Rent | | 9,144 | 9,216 | 18,360 | 18,432 |
| Share-based compensation | 6 & 8 | 288,848 | - | 288,848 | - |
| Travel and expenses | | 6,940 | 18,600 | 7,765 | 32,148 |
| Loss before the undernoted | | (467,355) | (176,494) | (663,794) | (322,395) |
| Other income (expenses) | | | | | |
| Interest income | | 23,466 | 14,650 | 45,082 | 28,937 |
| Interest expense | 4 | (1,528) | - | (3,267) | - |
| Write-off of mineral interests | | (1) | - | (1) | - |
| Foreign exchange (loss)/gain | | (4,785) | - | (7,763) | - |
| Net loss and comprehensive loss for the period | | \$ (450,203) | \$ (161,844) | \$ (629,743) | \$ (293,458) |
| Basic and diluted loss per share | | \$ (0.01) | \$ (0.00) | \$ (0.01) | \$ (0.00) |
| Weighted average number of shares outstanding | | 47,385,381 | 47,335,381 | 47,385,381 | 47,335,381 |

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

ETHOS GOLD CORP.**Condensed Interim Consolidated Statements of Changes in Equity****(Stated in Canadian Dollars)****(Unaudited)**

| | Share Capital | | Share Reserves | | | Total |
|------------------------------------|------------------|---------------|----------------------|-----------------------|-----------------|--------------|
| | Number of Shares | Amount | Share Option Reserve | Share Warrant Reserve | Deficit | |
| Balance, December 31, 2016 | 47,335,381 | \$ 23,094,436 | \$ 2,457,068 | \$ 3,065,932 | \$ (20,862,116) | \$ 7,755,320 |
| Net loss for the period | - | - | - | - | (293,458) | (293,458) |
| Balance, June 30, 2017 | 47,335,381 | 23,094,436 | 2,457,068 | 3,065,932 | (21,155,574) | 7,461,862 |
| Shares issued for mineral property | 50,000 | 10,000 | - | - | - | 10,000 |
| Share-based compensation | - | - | 29,273 | - | - | 29,273 |
| Net loss for the period | - | - | - | - | (336,172) | (336,172) |
| Balance, December 31, 2017 | 47,385,381 | 23,104,436 | 2,486,341 | 3,065,932 | (21,491,746) | 7,164,963 |
| Share-based compensation | - | - | 288,848 | - | - | 288,848 |
| Net loss for the period | - | - | - | - | (629,743) | (629,743) |
| Balance, June 30, 2018 | 47,385,381 | \$ 23,104,436 | \$ 2,775,189 | \$ 3,065,932 | \$ (22,121,489) | \$ 6,824,068 |

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

ETHOS GOLD CORP.**Condensed Interim Consolidated Statements of Cash Flows
(Stated in Canadian Dollars)
(Unaudited)**

| For the six months ended June 30, | 2018 | 2017 |
|--|---------------------|---------------------|
| Operating activities | | |
| Net loss for the period | \$ (629,743) | \$ (293,458) |
| Item not affecting cash: | | |
| Write-off of mineral interests | 1 | - |
| Share-based compensation | 288,848 | - |
| | <u>(340,894)</u> | <u>-</u> |
| Changes in non-cash working capital components | | |
| Amounts receivable | 9,466 | (9,730) |
| Prepaid expenses | 23,045 | (6,993) |
| Accounts payable and accrued liabilities | (42,731) | 20,060 |
| Note payable | (71,016) | - |
| Due to related parties | 59,147 | (670) |
| Cash used in operating activities | <u>(362,983)</u> | <u>(290,791)</u> |
| Increase (Decrease) in cash and cash equivalents | (362,983) | (290,791) |
| Cash and cash equivalents, beginning of period | 7,063,961 | 7,754,382 |
| Cash and cash equivalents, end of period | \$ 6,700,978 | \$ 7,463,591 |
| Cash and cash equivalents consisted of | | |
| Cash on deposit with a Canadian Senior Bank | \$ 6,660,886 | \$ 7,597,614 |
| Term deposits and Guaranteed investment certificates issued by a Canadian Senior Bank | 40,092 | 40,092 |
| | <u>\$ 6,700,978</u> | <u>\$ 7,637,706</u> |

Supplemental Cash Flow Information (note 7)

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

ETHOS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2018 and 2017

(Expressed in Canadian Dollars)

(Unaudited)

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 condensed interim 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 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 AND CONSOLIDATION

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”), as applicable to interim financial reports including International Accounting Standard 34 - Interim Financial Reporting. Therefore, these condensed interim consolidated financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and should be read in conjunction with the annual consolidated financial statements and the notes thereto for the year ended December 31, 2017 (“Annual Financial Statements”).

The accounting policies applied in preparation of these condensed interim consolidated financial statements are the same as those applied in the most recent Annual Financial Statements and were consistently applied to all the periods presented with the exception of IFRS 9 discussed below.

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. (“Roca Dorada”). 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 consolidation.

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Notes to the Condensed Interim Consolidated Financial Statements For the Six Months Ended June 30, 2018 and 2017 (Expressed in Canadian Dollars) (Unaudited)

2. BASIS OF PREPARATION AND CONSOLIDATION (continued)

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.

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, and due to related parties are classified as financial liabilities measured at amortized cost.

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Notes to the Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2018 and 2017

(Expressed in Canadian Dollars)

(Unaudited)

2. BASIS OF PREPARATION AND CONSOLIDATION (continued)

Adoption of new accounting policies (continued)

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.

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.

New accounting standards issued but not yet effective

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.

Key sources of estimation uncertainty and critical accounting judgement

In preparing these condensed interim consolidated financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expense. Actual amounts incurred by the Company may differ from these values. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Annual Financial Statements.

ETHOS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements For the Six Months Ended June 30, 2018 and 2017 (Expressed in Canadian Dollars) (Unaudited)

3. MINERAL INTERESTS

| | La Purisima (a) | WC Property (b) | Total |
|--|-----------------|-----------------|---------|
| Balance, December 31, 2016 | \$ - | \$ 1 | \$ 1 |
| Acquisition costs | 186,212 | - | 186,212 |
| Written off | - | (1) | (1) |
| Balance, December 31, 2017 and June 30, 2018 | 186,212 | - | 186,212 |

a) La Purisima, Mexico

On November 24, 2017, 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 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 4) 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 | US\$100,000 | 100,000 |
| 24 months from the date of | US\$250,000 | 250,000 |
| 36 months from the date of | US\$350,000 | 350,000 |
| 48 months from the date of | US\$500,000 | 500,000 |
| 60 months from the date of | US\$750,000 | 750,000 |
| 72 months from the date of | US\$1,500,000 | 1,000,000 |

b) WC Property, Yukon

The Company staked a 44 claim property in 2012. The claims expired during the six months ended June 30, 2018 resulting in the Company writing off the final balance of \$1.

4. 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 3). The note principle is \$70,495 and bears interest of 10% per annum and is payable on demand. Total interest expense of \$1,528 and \$3,267 for the three and six months ended June 30, 2018, respectively, is included in the statements of loss and comprehensive loss.

During the six months ended June 30, 2018 the Company repaid \$74,283 in principle and accrued interest.

ETHOS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements For the Six Months Ended June 30, 2018 and 2017 (Expressed in Canadian Dollars) (Unaudited)

5. 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

At June 30, 2018 and December 31, 2017, the Company had 47,385,381 common shares issued and outstanding.

- i) On December 5, 2017, the company issued 50,000 common shares relating to the acquisition of the La Purisima mineral property (note 3).

(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. The Company determines the fair value of options granted using the Black-Scholes model for share purchase options granted.

A summary of the status of the Company's share purchase options outstanding is presented below:

| | June 30, 2018 | | December 31, 2017 | |
|----------------------------------|----------------------|--|--------------------------|--|
| | Number of Shares | Weighted Average Exercise Price | Number of Shares | Weighted Average Exercise Price |
| Outstanding, beginning of period | 3,090,000 | \$0.28 | 3,190,000 | \$0.28 |
| Granted | 2,650,000 | \$0.17 | 250,000 | \$0.20 |
| Expired | (900,000) | \$0.36 | - | - |
| Cancelled | (425,000) | \$0.22 | (350,000) | \$0.24 |
| Outstanding, end of period | 4,415,000 | \$0.20 | 3,090,000 | \$0.28 |

ETHOS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements For the Six Months Ended June 30, 2018 and 2017 (Expressed in Canadian Dollars) (Unaudited)

5. SHARE CAPITAL (continued)

(c) Share purchase options (continued)

As at June 30, 2018, the following share purchase options were outstanding and exercisable:

| Expiry date | Outstanding Options | Weighted Average Exercise Price | Weighted Average Remaining contractual life (in years) | Exercisable Options |
|--------------|---------------------|---------------------------------|--|---------------------|
| Feb 13, 2019 | 325,000 | \$0.22 | 0.62 | 325,000 |
| Aug 2, 2019 | 100,000 | \$0.20 | 1.09 | 100,000 |
| Jul 29, 2020 | 225,000 | \$0.15 | 2.08 | 225,000 |
| Jun 22, 2021 | 865,000 | \$0.30 | 2.98 | 865,000 |
| Dec 3, 2022 | 250,000 | \$0.20 | 4.43 | 250,000 |
| Jun 26, 2023 | 2,650,000 | \$0.17 | 4.99 | 2,650,000 |
| | 4,415,000 | \$0.20 | 4.01 | 4,415,000 |

On June 26, 2018, the Company granted incentive stock options to directors, officers and consultants of the Company entitling them to purchase 2,650,000 common shares at a price of \$0.17 per share for a period of five years vesting 100% on the grant date and expiring June 26, 2023. The fair value of these options was calculated at \$288,848 using the Black-Scholes option pricing model and is included in the statement of loss and comprehensive loss as a share-based compensation.

The following weighted-average grant date assumptions were used in valuing share purchase options granted during the six months ended June 30, 2018 and the year ended December 31, 2017:

| | June 30, 2018 | December 31, 2017 |
|--|------------------|----------------------|
| Weighted average share price | \$0.18 | \$0.20 |
| Weighted average exercise price | \$0.17 | \$0.20 |
| Risk-free interest rate | 1.97% | 1.69% |
| Expected volatility ⁽¹⁾ | 71% | 70% |
| Expected years of option life ⁽²⁾ | 5 | 5 |
| Expected dividends | Nil | Nil |
| Weighted average grant-date fair value | \$0.11 | \$0.12 |

⁽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.

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Notes to the Condensed Interim Consolidated Financial Statements For the Six Months Ended June 30, 2018 and 2017 (Expressed in Canadian Dollars) (Unaudited)

5. SHARE CAPITAL (continued)

(d) Share purchase warrants

As at June 30, 2018 the Company had 3,876,470 (December 31, 2017 – 3,876,470) share purchase warrants outstanding entitling the holders to acquire common shares as follows:

| Exercise Price | Expiry Date | Outstanding, December 31, 2017 | Issued | Expired | Outstanding, June 30, 2018 |
|----------------|--------------------|--------------------------------------|--------|---------|----------------------------------|
| \$0.30 | November 12, 2019* | 3,876,470 | - | - | 3,876,470 |
| | | 3,876,470 | - | - | 3,876,470 |

* During the six months ended June 30, 2018, the Company extended the expiry date of the warrants from May 12, 2018 to November 12, 2019.

6. 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 financial statements are:

- The Company paid \$105,000 during the six months ended June 30, 2018 (2017 - \$67,500) in consulting fees to private companies controlled by certain directors and officers of the Company.
- The Company paid \$55,306 during the six months ended June 30, 2018 (2017 - \$nil) in consulting fees to a director of the Company that is included in exploration and project evaluation expenses.
- The Company paid \$nil (2017 - \$18,000) in rent to a private company controlled by a director of the Company.
- \$73,861 is payable to officers and directors at June 30, 2018 (December 31, 2017 – \$14,714).

Key personnel compensation

| | For the three months ended June 30 | | For the six months ended June 30 | |
|--------------------------------|---------------------------------------|-----------|-------------------------------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| Short-term employment benefits | \$ 51,170 | \$ 67,500 | \$ 160,306 | \$ 135,000 |
| Share-based payments | 269,775 | - | 269,775 | - |
| Total | \$ 320,945 | \$ 67,500 | \$ 430,081 | \$ 135,000 |

7. SUPPLEMENTAL CASH FLOW INFORMATION

| | 2018 | 2017 |
|-------------------|-----------|-----------|
| Interest received | \$ 45,082 | \$ 28,937 |

ETHOS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements For the Six Months Ended June 30, 2018 and 2017 (Expressed in Canadian Dollars) (Unaudited)

8. SEGMENT INFORMATION

- (a) The Company operates in one industry segment (note 1).
- (b) At June 30, 2018 and December 31, 2017, the Company's mineral interests were located as follows:

| | June 30, 2018 | December 31, 2017 |
|--------------------------|------------------|----------------------|
| Mineral interests | | |
| Chihuahua, Mexico | \$ 186,212 | \$ 186,212 |
| Yukon, Canada | \$ 1 | \$ 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.

9. COMMITMENT AND CONTINGENCIES

The Company's exploration activities in the Yukon Territory 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.

10. 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.

ETHOS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2018 and 2017

(Expressed in Canadian Dollars)

(Unaudited)

11. MANAGEMENT OF FINANCIAL RISK

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 June 30, 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 \$1,000 (December 31, 2017 - \$1,000).

ETHOS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2018 and 2017

(Expressed in Canadian Dollars)

(Unaudited)

12. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

- (a) 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 | \$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% Net Smelter Return (“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.

- (b) 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 project the Company must make advance NSR payments to the vendor as follows:

| | Cash |
|--|------------|
| On closing | US\$25,000 |
| 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 will issue 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.

During the term of the option agreement, the Company must pay the annual concession taxes on the property, which includes US\$5,500 in concession taxes currently owing.

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.