

ETHOS GOLD CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2017 AND 2016

(Stated in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Ethos Gold Corp.

We have audited the accompanying consolidated financial statements of Ethos Gold Corp., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Ethos Gold Corp. as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

April 19, 2018



ETHOS GOLD CORP.
Consolidated Statements of Financial Position
As at December 31, 2017 and 2016
(Stated in Canadian Dollars)

	Note	December 31, 2017	December 31, 2016
Assets			
Current assets:			
Cash and cash equivalents		\$ 7,063,961	\$ 7,754,382
Amounts receivable		32,040	6,006
Prepaid expenses		47,883	21,703
		7,143,884	7,782,091
Mineral interests	4	186,213	1
		\$ 7,330,097	\$ 7,782,092
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 79,404	\$ 21,257
Note payable	6 & 8	71,016	-
Due to related parties	8	14,714	5,515
		165,134	26,772
Shareholders' Equity			
Share capital	7	23,104,436	23,094,436
Share option reserve		2,486,341	2,457,068
Share warrant reserve		3,065,932	3,065,932
Deficit		(21,491,746)	(20,862,116)
		7,164,963	7,755,320
		\$ 7,330,097	\$ 7,782,092

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

Approved by the Board of Directors and authorized for issue on April 19, 2018.

“Craig Roberts” Director

“Hendrik Van Alphan” Director

ETHOS GOLD CORP.**Consolidated Statements of Loss and Comprehensive Loss
For the Years ended December 31, 2017 and 2016
(Stated in Canadian Dollars)**

	Note	2017	2016
Expenses			
Amortization of equipment		\$ -	\$ 4,602
Consulting	8	393,233	274,261
Listing and filing fees		37,222	56,709
Office and administrative	8	50,689	65,534
Professional fees		88,620	45,269
Rent		36,868	24,216
Share-based compensation	8	29,273	228,994
Travel and expenses		61,156	50,501
Loss before the undernoted		(697,061)	(750,086)
Other income (expenses)			
Interest income		68,869	58,329
Write down of equipment		-	(10,211)
Foreign exchange (loss)/gain		(1,438)	2,435
Net loss and comprehensive loss for the year		\$ (629,630)	\$ (699,533)
Basic and diluted loss per share		\$ (0.01)	\$ (0.02)
Weighted average number of shares outstanding		47,339,765	45,926,718

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, 2017 and 2016
(Stated in Canadian Dollars)**

	Share Capital		Share Reserves		Deficit	Total
	Number of Shares	Amount	Share Option Reserve	Share Warrant Reserve		
Balance, December 31, 2015	43,458,911	\$ 22,441,603	\$ 2,228,074	\$ 3,065,932	\$ (20,162,583)	\$ 7,573,026
Private placement, net of issuance costs (note 4(b)(i))	3,876,470	652,833	-	-	-	652,833
Share-based compensation	-	-	228,994	-	-	228,994
Net loss for the year	-	-	-	-	(699,533)	(699,533)
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

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, 2017 and 2016
(Stated in Canadian Dollars)

	2017	2016
Operating activities		
Net loss for the year	\$ (629,630)	\$ (699,533)
Item not affecting cash:		
Amortization of equipment	-	4,602
Write off of equipment	-	10,211
Share-based compensation	29,273	228,994
	<u>(600,357)</u>	<u>(455,726)</u>
Changes in non-cash working capital components		
Amounts receivable	(26,034)	3,507
Prepaid expenses	(26,180)	(11,976)
Accounts payable and accrued liabilities	58,147	(38,706)
Due to related parties	9,199	3,115
Cash used in operating activities	<u>(585,225)</u>	<u>(499,786)</u>
Investing activities		
Acquisition of mineral properties	(105,196)	-
Cash used in investing activities	<u>(105,196)</u>	<u>-</u>
Financing activities		
Common shares issued, net of share issuance costs	-	652,833
Cash provided by financing activities	<u>-</u>	<u>652,833</u>
Increase (Decrease) in cash and cash equivalents	(690,421)	153,047
Cash and cash equivalents, beginning of year	7,754,382	7,601,335
Cash and cash equivalents, end of year	\$ 7,063,961	\$ 7,754,382
Cash and cash equivalents consisted of		
Cash on deposit with a Canadian Senior Bank	\$ 7,023,869	\$ 7,714,290
Term deposits and Guaranteed investment certificates issued by a Canadian Senior Bank	40,092	40,092
	<u>\$ 7,063,961</u>	<u>\$ 7,754,382</u>

Supplemental Cash Flow Information (note 9)

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, 2017 and 2016 (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.

The Company’s operations during the year ended December 31, 2017 were solely directed towards the search for business opportunities in favorable jurisdictions.

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, 2017, 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, 2017 and 2016 (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) Financial instruments

Financial instruments, other than cash and cash equivalents, are classified into various categories. Held to maturity investments and loans and receivables are measured at amortized cost, with amortization of premiums or discounts, losses and impairment included in current period interest income or expense. Financial assets and liabilities at fair value through profit or loss ("FVTPL") are classified as FVTPL when the financial instrument is held for trading or is designated as FVTPL. Financial instruments at FVTPL are measured at fair market value with all gains and losses included in operations in the period in which they arise. Available for sale financial assets are measured at fair market value with revaluation gains and losses included in other comprehensive income (see (l) below) until the asset is removed from the statement of financial position, and losses due to impairment are included in operations. All other financial assets and liabilities, except for cash, are carried at amortized cost.

The Company's financial instruments are cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and amounts due to related parties. The Company has classified its cash and cash equivalents as held for trading, amounts receivable as loans and receivables and accounts payable and accrued liabilities and due to related parties as other financial liabilities. The carrying values of these financial instruments approximate their fair value due to their short-term maturity.

ETHOS GOLD CORP.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2017 and 2016 (Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

The Company classifies and discloses fair value measurements based on a three-level hierarchy:

- Level 1 – inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data.

(d) 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.

(e) 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.

(f) 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%

(g) 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

ETHOS GOLD CORP.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2017 and 2016 (Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of assets (continued)

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.

(h) 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.

(i) 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.

(j) 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

ETHOS GOLD CORP.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Share capital (continued)

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.

(k) Income recognition

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

(l) 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. Financial assets that are classified as available for sale will have revaluation gains and losses included in other comprehensive income or loss until the asset is removed from the statement of financial position. At present, the Company has no other comprehensive income or loss.

(m) 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.

(n) 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.

ETHOS GOLD CORP.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2017 and 2016 (Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) 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.

(p) New accounting standards and interpretations

The following is a summary of new standards, amendments and interpretations that have been issued but not yet adopted in these annual consolidated financial statements. The Company is currently evaluating the impact that these changes will have on its consolidated financial statements; however, the impact, if any, is not expected to be significant.

- *IFRS 9, Financial Instruments (“IFRS 9”)*

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial impairment methods in IAS 39. The effective date for application of IFRS 9 was revised from annual periods beginning on or after January 1, 2015, to annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is currently evaluating the impact of the adoption of the amendments on its consolidated financial statements; however, the impact, if any, is not expected to be significant.

ETHOS GOLD CORP.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2017 and 2016 (Expressed in Canadian Dollars)

4. MINERAL INTERESTS

	La Purisima (a)	WC Property (b)	Total
Balance, December 31, 2015	\$ -	\$ 1	\$ 1
Acquisition costs	-	-	-
Balance, December 31, 2016	-	1	1
Acquisition costs	186,212	-	186,212
Balance, December 31, 2017	\$ 186,212	\$ 1	\$ 186,213

a) La Purisima, Mexico

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 9) 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	100,000
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

b) WC Property, Yukon

The Company staked a 44 claim property in 2012. This property will remain in good standing until 2018 with no further expenditures.

ETHOS GOLD CORP.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2017 and 2016 (Expressed in Canadian Dollars)

5. EQUIPMENT

	Computer Equipment	Office Equipment	Total
Cost			
Balance, December 31, 2015	\$ 20,815	\$ 31,558	\$ 52,373
Acquisition costs	-	-	-
Balance, December 31, 2016	\$ 20,815	\$ 31,558	\$ 52,373
Acquisition costs	-	-	-
Balance, December 31, 2017	\$ 20,815	\$ 31,558	\$ 52,373
Accumulated amortization			
Balance, December 31, 2015	\$ 17,252	\$ 20,308	\$ 37,560
Amoritzation	2,004	2,598	4,602
Write-off	1,559	8,652	10,211
Balance, December 31, 2016	\$ 20,815	\$ 31,558	\$ 52,373
Write-off	-	-	-
Balance, December 31, 2017	\$ 20,815	\$ 31,558	\$ 52,373
Net book value, December 31, 2016	\$ -	\$ -	\$ -
Net book value, December 31, 2017	\$ -	\$ -	\$ -

6. 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 bears interest of 10% per annum and is payable on demand.

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Notes to the Consolidated Financial Statements For the Years Ended December 31, 2017 and 2016 (Expressed in Canadian Dollars)

7. 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, 2017 the Company had 47,385,381 (December 31, 2015 – 47,335,381) common shares issued and outstanding.

Preferred shares – At December 31, 2017 and December 31, 2016 no preferred shares were 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 4).
- ii) On May 12, 2016, the Company completed a non-brokered private placement of 3,876,470 units at a price of \$0.17 per unit for gross proceeds of \$659,000. Each unit is comprised of one common share and one non-transferable common share purchase warrant exercisable for a term of two years. Each common share purchase warrant entitles the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.30 per common share during the term of the warrant. The Company incurred \$6,167 in related expenses. No finder's fee was paid in connection with the private placement.

(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, 2017, 3,090,000 share purchase options were outstanding.

A summary of the status of the Company's share purchase options outstanding as at December 31, 2017 and December 31, 2016 and changes during the years ended on those dates are presented below:

	2017		2016	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of year	3,190,000	\$0.28	2,085,000	\$0.31
Granted	250,000	\$0.20	1,340,000	\$0.30
Expired	(350,000)	\$0.24	(235,000)	\$0.69
Outstanding at end of year	3,090,000	\$0.28	3,190,000	\$0.28

ETHOS GOLD CORP.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2017 and 2016 (Expressed in Canadian Dollars)

7. SHARE CAPITAL (continued)

As at December 31, 2017, the following share purchase options were outstanding:

Expiry date	Outstanding Options	Weighted Average Exercise Price	Weighted Average Remaining contractual life (in years)	Exercisable Options
May 16, 2018	900,000	\$0.36	0.37	900,000
Aug 2, 2019	100,000	\$0.20	1.59	100,000
Jul 29, 2020	575,000	\$0.15	2.58	575,000
Jun 22, 2021	1,265,000	\$0.30	3.48	1,265,000
Dec 3, 2022	250,000	\$0.20	4.93	250,000
	3,090,000	\$0.28	2.46	3,090,000

The weighted average grant-date fair value of share purchase options granted during the fiscal year ended December 31, 2017 was \$0.12 (2016 - \$0.17) 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.

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

	2017	2016
Weighted average share price	\$0.20	\$0.30
Weighted average exercise price	\$0.20	\$0.30
Risk-free interest rate	1.69%	0.70%
Expected volatility ⁽¹⁾	70%	69%
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, 2017 the Company had 3,876,470 (December 31, 2016 – 3,876,470) share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price	Expiry Date	Outstanding, December 31, 2016	Issued	Expired	Outstanding, December 31, 2017
\$0.30	May 12, 2018	3,876,470	-	-	3,876,470
		3,876,470	-	-	3,876,470

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8. 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 \$284,550 (2016 - \$237,750) in consulting fees to private companies controlled by certain directors and officers of the Company.
- (b) The Company paid \$36,000 (2016 - \$24,110) in rent to a private company controlled by a director of the Company.
- (c) \$14,714 is payable to two directors and an officer at December 31, 2017 (2016 – \$2,400).
- (d) 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. As at December 31, 2017, the fair value of note payable is \$71,016, which includes \$521 in accrued interest.

Key personnel compensation

	For the year ended	
	December 31, 2017	December 31, 2016
Consulting fees	\$ 284,550	\$ 237,750
Directors fees	19,200	28,800
Share-based compensation	29,273	183,708
	<u>\$ 333,023</u>	<u>\$ 450,258</u>

9. SUPPLEMENTAL CASH FLOW INFORMATION

	2017	2016
Interest received	\$ 68,869	\$ 58,329
Interest paid	-	-

During the year ended December 31, 2017, the Company entered into the following non-cash transactions:

- 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.

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

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10. SEGMENT INFORMATION

- (a) The Company operates in one industry segment (note 1).
- (b) At December 31, 2017 and December 31, 2016, the Company's mineral interests were located as follows:

	2017	2016
Mineral interests		
Chihuahua, Mexico	\$ 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.

11. 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:

	2017	2016
Net loss	629,630	699,533
Combined statutory income tax rate	26%	26%
Income tax recovery at combined statutory tax rate	164,000	182,000
Non-deductible or non-taxable items, net	(9,000)	(59,000)
Deductible costs	133,000	127,000
Unrecognized tax benefits	(288,000)	(250,000)
Provision for income taxes	\$ -	\$ -

The Company's deferred tax assets and liabilities at December 31, 2017 and 2016 are:

	2017	2016
Deferred tax assets		
Mineral interests	\$ 1,938,000	\$ 1,872,000
Equipment	14,000	14,000
Share issue costs	1,000	1,000
Tax loss carry-forwards	1,808,000	1,589,000
Unrecognized deferred tax assets	\$ 3,761,000	\$ 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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11. INCOME TAXES (continued)

As at December 31, 2017, 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

As at December 31, 2017, the Company has unused income tax credits of \$ 169,588 (2016 - \$169,588) that may be carried forward and used to reduce income taxes of future years. These income tax credits expire between 2031 and 2033.

12. 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.

13. 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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14. 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, 2017, 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 (2016 - \$1,000).