BLACK DRAGON GOLD CORP.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Black Dragon Gold Corp.

Opinion

We have audited the accompanying consolidated financial statements of Black Dragon Gold Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017 and the consolidated statements of operations and comprehensive income (loss), cash flows and changes in shareholders' equity (deficiency) 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 the Company 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a net loss of $3,638,540 during the year ended December 31, 2018 and, as of that date, the Company's total deficit was $30,327,730. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 auditor's report is Erez Bahar.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

March 28, 2019

BLACK DRAGON GOLD CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
AS AT

	Notes	December 31, 2018	December 31, 2017
ASSETS			
Current			
Cash and equivalents		$ 3,582,261	$ 1,753,221
Receivables	3	224,226	69,952
Prepaid expenses		422	9,154
		3,806,909	1,832,327
Equipment	4	-	685
Exploration and Evaluation	5	-	-
Deposits		1,240	1,240
		1,240	1,925
Total assets		$ 3,808,149	$ 1,834,252
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current			
Accounts payable and accrued liabilities	6,11	$ 493,625	$ 773,800
Interest payable	8	43,426	28,057
Loan facility	7	-	-
		537,051	801,857
Convertible debenture	8	-	216,200
Total liabilities		537,051	1,018,057
Shareholders' equity			
Share capital	9	23,116,685	19,695,960
Warrants	9	4,724,574	3,164,574
Equity portion of convertible debenture	8	-	15,388
Reserves	9	5,757,569	4,629,463
Deficit		(30,327,730)	(26,689,190)
Total shareholders' equity		3,271,098	816,195
Total liabilities and shareholders' equity		$ 3,808,149	$ 1,834,252

Nature and continuance of operations (Note 1)
Subsequent events (Note 16)

These consolidated financial statements were approved for issue by the Board of Directors on 28th March, 2019 and are signed on its behalf by:

/s/ ***Paul Cronin***	/s/ ***Richard Monti***
Paul Cronin	Richard Monti
Director	Director

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

BLACK DRAGON GOLD CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian dollars)
YEARS ENDED

	Notes	December 31, 2018	December 31, 2017
EXPENSES			
Consulting		$ 135,206	$ 34,715
Depreciation	4	685	296
Directors' fees	11	190,435	139,282
Filing fees		13,310	39,306
Foreign exchange Loss		155,601	(275,189)
General and administrative	11	578,665	304,841
Exploration and evaluation costs		798,222	47,298
Management fees	11	381,029	1,073,979
Professional fees	11	117,246	339,861
Rent		-	42,612
Shareholder communication		7,773	69,484
Share-based compensation	9, 11	906,006	776,038
Transfer agent		29,443	14,133
Travel and related		48,127	144,038
Loss before other items		(3,361,748)	(2,750,694)
OTHER ITEMS			
Interest and accretion expense	7, 8	(18,546)	(575,229)
Interest income		11,765	-
Gain on settlement of RMB loan	7	-	7,901,372
Loss on settlement of accounts payable	9	-	(118,815)
Settlement of RMB royalty	7	(576,051)	-
Other income	10	306,040	122,067
		(276,792)	7,329,395
Income (loss) and comprehensive income (loss) for the year		$ (3,638,540)	$ 4,578,701
Basic earnings (loss) per common share	9	$ (0.04)	$ 0.09
Diluted earnings (loss) per common share	9	$ (0.04)	$ 0.09

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

BLACK DRAGON GOLD CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
YEARS ENDED

	December 31, 2018	December 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the year	$ (3,638,540)	$ 4,578,701
Items not affecting cash:		
Depreciation	685	296
Interest and accretion expense	46,603	575,229
Share-based compensation	906,006	776,038
Gain on settlement of RMB loan	-	(7,901,372)
Interest received on GIC	(9,114)	-
Loss on settlement of accounts payable	-	118,815
Unrealized foreign exchange gain	-	(435,633)
Change in non-cash working capital items		
Decrease in receivables	(154,274)	(38,550)
Decrease (increase) in prepaid expenses	8,732	(8,549)
Increase (decrease) in accounts payable and accrued liabilities	(308,232)	(780,800)
Net cash used in operating activities	(3,148,134)	(3,115,825)
CASH FLOWS FROM FINANCING ACTIVITIES		
Convertible debenture	-	251,000
Interest received on GIC	9,114	-
Settlement of RMB loan	-	(4,493,966)
Shares and units issued for cash, net	4,968,060	8,948,428
Exercise of stock options	-	57,750
Net cash provided by financing activities	4,977,174	4,763,212
Change in cash and cash equivalents during the year	1,829,040	1,647,387
Cash and cash equivalents, beginning of year	1,753,221	105,834
Cash and cash equivalents, end of year	$ 3,582,261	$ 1,753,221

Supplemental disclosure with respect to cash flows (Note 10)

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

BLACK DRAGON GOLD CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian dollars)

	Share Capital						
	Number	Amount	Warrants	Convertible debenture - Equity portion	Reserves	Deficit	Total
Balance, December 31, 2016	17,001,117	$ 13,165,615	$ -	$ -	$ 4,059,101	$ (31,267,891)	$ (14,043,175)
Shares issued for cash, net	55,961,558	5,565,702	2,675,622	-	-	-	8,241,324
Shares issued to finder's	3,856,011	410,586	-	-	-	-	410,586
Exercise of options	350,000	96,662	-	-	(38,912)	-	57,750
Debt settlements	1,694,055	457,395	-	-	-	-	457,395
Convertible debenture	-	-	-	15,388	-	-	15,388
Warrants issued with convertible debenture	-	-	166,764	-	-	-	166,764
Warrants issued to finder's	-	-	322,188	-	-	-	322,188
Share-based compensation	-	-	-	-	609,274	-	609,274
Income for the year	-	-	-	-	-	4,578,701	4,578,701
Balance, December 31, 2017	78,862,741	$ 19,695,960	$ 3,164,574	$ 15,388	$ 4,629,463	$ (26,689,190)	$ 816,195

	Share Capital						
	Number	Amount	Warrants	Equity Portion of Convertible Debenture	Reserves	Deficit	Total
Balance, December 31, 2017	78,862,741	$ 19,695,960	$ 3,164,574	$ 15,388	$ 4,629,463	$ (26,689,190)	$ 816,195
Shares issued for cash	30,000,000	5,727,541	-	-	-	-	5,727,541
Finders' fees and capital costs- cash	-	(759,481)	-	-	-	-	(759,481)
Finders' fees – ASX CDI's (shares)	483,333	-	-	-	-	-	-
Finders' fees – ASX options	-	(222,100)	-	-	222,100	-	-
Shares issued for convertible debentures	1,515,151	219,377		-	-	-	219,377
Conversion of convertible debt	-	15,388		(15,388)	-	-	-
Residual value of warrants	-	(1,560,000)	1,560,000				-
Share-based compensation	-	-	-	-	906,006	-	906,006
Loss for the year	-	-	-	-	-	(3,638,540)	(3,638,540)
Balance, December 30, 2018	**110,861,225**	**$ 23,116,685**	**$ 4,724,574**	**$ -**	**$ 5,757,569**	**$ (30,327,730)**	**$ 3,271,098**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Black Dragon Gold Corp. (the "Company") was incorporated under the laws of the Province of British Columbia on August 20, 2007, and is classified as a junior mining issuer with the TSX Venture Exchange ("TSX-V"). The Company's head office address is Second Floor, Stamford House, Cheltenham, Gloucestershire, GL50 1HN U.K. The registered and records office address is 1000 Cathedral Place, 925 West Georgia Street, Vancouver, BC V6C 3L2. Subsequent to year end, the Company voluntarily delisted from the TSX-V (Note 16).

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded in these financial statements.

The consolidated financial statements for the year ended December 31, 2018 do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

On May 1, 2018, the Company completed a consolidation of its issued and outstanding common shares on the basis of three (3) pre-consolidation common shares, options and warrants to one (1) post consolidation common share, option and warrant (the "Share Consolidation"). Prior to the Share Consolidation, the Company had 236,588,374 Shares issued and outstanding. Following the Share Consolidation, the Company had 78,862,741 Shares issued and outstanding. The Share Consolidation has been presented throughout the consolidated financial statements retroactively and all equity related issuances are presented on a post consolidation basis.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements for the year ended December 31, 2018 are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

The preparation of consolidated financial statements requires the use of certain critical accounting estimates and the exercise of management's judgment in applying the Company's accounting policies. Areas involving a high degree of judgment or complexity and areas where assumptions and estimates are significant to the Company's consolidated financial statements are discussed below.

The Company's consolidated financial statements for the year ended December 31, 2018 have been prepared on a historical cost basis except for certain financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Carrying amount and recoverability of exploration and evaluation assets

The carrying amount of Company's exploration and evaluation assets do not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to proceed with and complete development and upon future profitable production or proceeds from the disposition of the exploration and evaluation asset interests themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its exploration and evaluation asset interests or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The company also makes estimates as to when performance conditions for stock options will be met.

The determination of whether or not the achievement of performance milestones for stock options likely requires management to consider factors such as the likelihood of an employee or consultant remaining with the Company until requisite performance is achieved as well as external factors such as government regulations, financial market developments and industry trends which influence the milestones. Additionally, factors internal to the Company, such as the financial and strategic support for the achievement of the milestone must be considered. This determination is subject to significant judgment and changes to any of these factors or management's interpretation thereof, may result

in expenses being recognized or previously recognized expense being reversed. The assumptions and models used for estimating fair value for share-based payment transactions are discussed in Note 9.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, including Exploraciones Mineras del Cantabrico S.L. ("EMC"). EMC is a mining company in Asturias, Spain. All inter-company transactions and accounts have been eliminated upon consolidation.

Equipment

Equipment is recorded at cost less accumulated depreciation. Depreciation is provided annually over the estimated useful life using the following methods:

Office equipment	30% declining balance

Exploration and evaluation assets

Before legal rights to explore a property have been acquired, costs are expensed as incurred. Costs related to the acquisition of exploration and evaluation assets are capitalized by property. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and depreciated using the unit of production method. If, after management review, it is determined that capitalized acquisition costs are not recoverable over the estimated economic life of the property, the property is abandoned or management deems there to be an impairment in value, the property is written down to its net realizable value.

Costs related to the exploration and evaluation of mineral properties are recognized in profit or loss as incurred. Exploration expenditures are the costs of exploring for mineral resources other than those occurring at existing operations and projects and comprise geological and geophysical studies, exploratory drilling, and sampling and resource development. Evaluation expenditures include the cost of conceptual and feasibility studies and evaluation of mineral resources at existing operations. When a decision is taken that a mining project is technically feasible and commercially viable, subsequent directly attributable expenditures are considered development expenditure and are capitalized within property, plant and equipment or mineral properties. If a property does not prove economically recoverable or technically feasible, all irrecoverable costs associated with the project, net of any previous impairment provisions, are written off.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the mineral interest. If payments received exceed the capitalized cost of the mineral interest, the excess is recognized as income in the year received.

The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and evaluation and future profitable production or proceeds from the disposition thereof.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

At each reporting date the carrying amounts of the Company's long-lived non-financial assets, which are comprised of property, plant and equipment, and exploration and evaluation assets, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset or its related cash generating unit. For purposes of impairment testing, assets are grouped at the lowest levels that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit").

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the associated assets are reduced to their recoverable amount and the impairment loss is recognized in profit or loss for the year.
Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment charge is reversed through profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of any applicable depreciation, if no impairment loss had been recognized.

Compound financial instruments

A compound financial instrument is a non-derivative financial instrument that contains both a liability and an equity component. The Company accounted for its convertible debentures (Note 8) as compound financial instruments. The conversion feature is treated as an equity component and accounted for in compliance with IAS 32 and IAS 39 relating to initial recognition of compound financial instruments.

IAS 39 deals with the measurement of financial assets and liabilities. Equity instruments are instruments that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Therefore, when the initial carrying amount of a compound financial instrument is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The value of any derivative features embedded in the compound financial instrument other than the equity component is included in the liability component.

The sum of the carrying amounts assigned to the liability and equity components on initial recognition is always equal to the fair value that would be ascribed to the instrument as a whole. No gain or loss arises from initially recognizing the components of the instrument separately.

The convertible debentures met the criteria to be accounted for as a compound instrument in accordance with IAS 32. As such, the Company has first determined the carrying amount of the liability component by measuring the fair value of a similar liability that does not have an associated equity component. The carrying amount of the equity instrument represented by the conversion feature has then been determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole.

Decommissioning provisions

The Company recognizes the fair value of a liability for a decommissioning provision in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The Company does not have any decommissioning provisions as at December 31, 2018 and 2017.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Loss per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting years.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity. Common shares issued for consideration other than cash, are valued based on their trading value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a unit private placement to be the more easily measurable component. The balance, if any, is allocated to the attached warrants, except where there is a related flow-through share premium, as detailed in the next paragraph. Any fair value attributed to the warrants is recorded as reserves.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based compensation

Stock options and direct awards of stock granted to employees and other providing similar services are measured at fair value on the date of grant and is recognized as an expense with a corresponding increase in reserves as the options vest. Fair value is determined using the Black Scholes option pricing model taking into the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value.

Options granted to non-employees are measured at their fair value of goods or series received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received. Consideration paid for the shares on the exercise of stock options is credited to share capital.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

Foreign currency translation

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for the Company and its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the financial position reporting date. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in profit or loss for the period.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in Accounting Policies - Financial instruments

The details of the new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below

IFRS 9, Financial instruments ("IFRS 9")

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39, Financial instruments: recognition and measurement ("IAS 39"). There was no material impact to the Company's consolidated financial statements as a result of transitioning to IFRS 9 on January 1, 2018.

Classification and measurement of financial assets and liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 financial assets categories of held to maturity, loans and receivables and available for sale.

The impact of IFRS 9 on the classification and measurement of financial assets and liabilities is set out as follows:
A financial asset is classified as measured at amortized cost, FVTPL or FVTOCI. The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. Financial assets and liabilities are classified as follows:

	IAS 39 Classification	**IFRS 9 Classification**
Cash and cash equivalents	FVTPL	FVTPL
Accounts receivable	Loans and receivables	Amortized cost
Restricted cash	FVTPL	FVTPL
Trade and other payables	Other financial liabilities	Amortized cost

Impairment of financial assets

An ECL model applies to financial assets measured at amortized cost, contract assets and debt investments at FVTOCI, but not to investments in equity instruments. The Company's financial assets measured at amortized cost and subject to the ECL model consist primarily of accounts receivable.

The adoption of the ECL impairment model had a negligible impact on the carrying amounts of the Company's financial assets on the transition date given the receivables are all current and the minimal historical level of default.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Classification

Financial assets are classified at initial recognition as either: measured at amortized cost, FVTPL or fair value through other comprehensive income ("FVOCI"). The classification depends on the Company’s business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or the Company has opted to measure at FVTPL.

Measurement

Financial assets and liabilities at FVTPL are initially recognized at fair value and transaction costs are expensed in the consolidated statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets or liabilities held at FVTPL are included in the consolidated statement of loss and comprehensive loss in the period in which they arise. Where the Company has opted to designate a financial liability at FVTPL, any changes associated with the Company's credit risk will be recognized in OCI.

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

Impairment

The Company assesses on a forward looking basis the expected credit losses ("ECL") associated with financial assets measured at amortized cost, contract assets and debt instruments carried at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Exploration and evaluation assets

Management revisited the treatment of exploration costs and concluded that, in accordance with IFRS 6, Exploration for and Evaluation of Mineral Resources, the change in accounting policy from capitalizing to expensing exploration and evaluation expenditures makes the financial statements more relevant to the economic decision-making needs of its users. The Company's policy is disclosed in note 2. The change in accounting policy and its retroactive application had no effect on the Company’s financial statements for all periods presented or the opening balances for all accounts presented.

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting standards and interpretations issued but not yet applied

As at the date of these financial statements, the following standards have not been applied in these financial statements:

(i) IFRS 16 – New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.

(ii) IFRIC 23 - New standard sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. IFRIC 23 requires an entity to determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. The Company does not expect the application of IFRIC 23 to have a significant impact on the Company's consolidated financial statements.

Management has assessed the impact of these new standards on the Company's accounting policies and financial statement presentation and applied the standards effective on or after January 1, 2018. Management does not expect these standards will have a significant impact on the measurement or presentation of balances or transactions as reported in these financial statements.

3. RECEIVABLES

	December 31 ,2018	December 31, 2017
Value-added tax receivable	$ 172,068	$ 38,719
GST receivable	52,158	29,183
Other	-	2,050
Total	$ 224,226	$ 69,952

(Expressed in Canadian dollars)

4. EQUIPMENT

	Office equipment	Total
Cost		
Balance, December 31, 2018, 2017 & 2016	$ 1,359	$ 1,359
Accumulated depreciation		
Balance, December 31, 2016	$ 378	$ 378
Depreciation for the year	296	296
Balance, December 31, 2017	$ 674	$ 674
Depreciation for the year	685	685
Balance, December 31, 2018	$ 1,359	$ 1,359
Carrying amounts		
As at December 31, 2017	**$ 685**	**$ 685**
As at December 31, 2018	**$ -**	**$ -**

5. EXPLORATION AND EVALUATION ASSETS

Salave Gold Property

The Salave Project is comprised of 30-year-term mining concessions over the resource area. The company applied for an administrative authorisation permit ("AAP") in 2015, which is similar to a construction permit. This was denied due to the Company not adequately addressing the concerns of the relevant stakeholders in relation to certain water issues. The Company subsequently brought administrative judicial proceedings against the relevant authorities claiming both the reversal of the decision and €8.59 million in damages. The legal proceedings essentially blocked the development process as it halted further consultation and negotiation. All judicial proceedings have now been dismissed.

Before assuming management of the Company, previous management had identified the construction permitting issues and the RMB debt as the sole restraints on the realization of the asset's significant value. Previous management resolved the RMB debt by renegotiating an option to repurchase the US$10 million facility for US$3 million plus certain other consideration, as discussed in Note 7. Management's strategy for the construction approval was on clearing adversarial legal proceedings to allow the Company to reset the relationships with the relevant authorities and stakeholders. All proceedings have now been concluded with the final proceedings being dismissed by the Superior Court of Justice of Asturias during 2017.

On January 23, 2018 the Company announced that it had commenced an exploration drilling program on the Salave Gold Deposit ("Salave" or "Salave Project") in Asturias, Spain, following the receipt of approval from the Asturias Ministry of Employment, Industry & Tourism, as well as the Municipality of Tapia de Casariego. This drilling program was completed in April of 2018.

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

Salave Gold Property (continued)

A Preliminary Economic Assessment of the Salave project was performed in 2018 and on February 11, 2019 the Company announced results of the PEA. The PEA is based on the recently completed Mineral Resource Estimate completed by CSA Global.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Accounts payables	$ 237,976	$ 383,087
Accrued liabilities	180,855	275,943
Due to related parties (Note 11)	74,794	114,770
Total	$ 493,625	$ 773,800

7. LOAN FACILITY

	2018	2017
Loan facility borrowings, beginning of year	$ -	$ 10,498,919
Foreign exchange	-	(358,868)
Settlement	-	(10,140,051)
Loan facility borrowings, end of year	$ -	$ -

In June 2013, the Company, through their subsidiary, EMC, closed an agreement for a $10,000,000 loan facility (“Facility”) to be provided by RMB Australia Holdings Limited (“RMB”), the lender. On August 8, 2013, the Facility was amended to convert all amounts owing and future borrowings from Canadian dollars to US dollars. Previously drawn Canadian dollar amounts were converted to their US dollar equivalents. The total value of the loan facility available to the Company was converted to US$10,000,000. During the year ended December 31, 2018, the Company recorded $nil (2017 - $540,011) in interest expense.

The repayment of principal and interest, originally due June 2016, was extended to July 6, 2017.

On July 6, 2017, the Company settled the RMB loan facility, including accrued interest, for cash consideration of $4,493,966 and the granting by the Company to RMB of a 2% net smelter return (“NSR”) royalty on the first 800,000 ounces of gold production from the Salave property.

As a result, during the year ended December 31, 2017, the Company recorded a gain on settlement of debt totalling $7,901,372. On 4 October 2018 the Company entered into an agreement with RMB to buy out the 2% NSR on the first 800,000 ounces of production at a buy-out fee of $576k (US$447k).

(Expressed in Canadian dollars)

8. CONVERTIBLE DEBENTURE

During April 2017, the Company issued unsecured convertible debentures with a total principal amount of $251,000, bearing interest at the rate of 15% per annum. The debentures will mature and be repayable on or before April 18, 2019. The debentures are convertible into common shares of the company at a conversion price $0.165 per share until April 18, 2018, and $0.30 per share thereafter until April 18, 2019. For each $1,000 in principal amount of debentures, 6,060 common share purchase warrants were issued. Each warrant entitles the holder to acquire one additional common share of the company at a price of $0.33 per common share for a period of 24 months. If, during this 24-month period, the volume-weighted average price of the Company's common shares is at least $0.66 for a period of seven consecutive trading days, the Company may, at its option, accelerate the expiry date of the warrants by issuing a news release or giving written notice thereof to all holders of the warrants, and, in such case, the warrants will expire on the earlier of: (i) the 30th day after the date on which the news release or written notice is provided by the Company; and (ii) the original expiry date. In connection with the issuance of the debentures, the holders thereof will be granted a right to nominate a member for election to the Company's board of directors at any meeting of shareholders where directors are to be elected, provided such nominee is acceptable to regulatory authorities, for so long as the debentures are outstanding.

Pursuant to a service agreement dated July 11, 2016, and previously approved by the TSX-V, Lionsbridge Capital Pty. Ltd., a company owned and controlled by Brian S. Wesson, former chief executive officer, B. Clyde Wesson, former chief operating officer, and Amelia Wesson, former vice-president, received a finder's fee of 190,151 common shares, valued at $25,671, in connection with the closing of the debentures.

On May 2, 2018, the Company issued 1,515,151 common shares on the full conversion of the $251,000 principal balance of the convertible debenture.

As at December 31, 2018, the Company has accrued interest payable of $43,426 (2017 - $28,057) in connection with the convertible debenture included in accounts payable and accrued liabilities.

	Liability component		Equity Component fair value
	Fair value	Carrying Value	
Balance, December 31, 2016 and 2015	$ -	$ -	$ -
Issuance of convertible debentures	251,000	209,941	(15,388)
Accretion	-	6,259	-
Balance, December 31, 2017	**$ 251,000**	**$ 216,200**	**$ 15,388**
Accretion	-	3,177	-
Conversion of convertible debentures	(251,000)	(219,377)	(15,388)
Balance, December 31, 2018	**$ -**	**$ -**	**$ -**

9. SHARE CAPITAL AND RESERVES

Authorized:

Unlimited number of common shares without par value.

Issued - 2018 transactions

On May 1, 2018, the Company completed a consolidation of its issued and outstanding common shares on the basis of three (3) pre-consolidation common shares, options and warrants to one (1) post consolidation common share, option and warrant (the "Share Consolidation"). Prior to the Share Consolidation, the Company had 236,588,374 Shares issued and outstanding. Following the Share Consolidation, the Company had 78,862,741 Shares issued and outstanding. The Share Consolidation has been presented throughout the consolidated financial statements retroactively.

On May 2, 2018, the Company issued 1,515,151 common shares on the full conversion of the $251,000 principal balance of the convertible debenture.

On August 22, 2018 the Company issued 30,000,000 CHESS Depository Interests ("CDI's") in conjunction with an Initial Public Offering ("Prospectus Offering") on the Australian Securities Exchange ("ASX") for gross proceeds of $5,727,541 (AUD$6,000,000). Each CDI unit is comprised of one common share and one option warrant for every 2 CDI units issued at a share price of AUD$0.33 ($0.31), expiring on August 22, 2019. A residual value of $1,560,000 was allocated to the warrants. The value attributed to the warrants was based on the residual method, which values the common shares at fair value, with the remaining amount of the proceeds being allocated to the warrants.

Finders fees and listing costs paid in conjunction with the Prospectus Offering were comprised of cash payments totaling $759,481, the issuance of 483,333 CDI's valued at $92,493 and the issuance of 6,075,000 share purchase options valued at $222,100 exercisable for one year, all with the same terms as those attached to the unit warrants.

Issued - 2017 transactions

During March 2017, the Company issued 255,000 units at $0.165 per unit for gross proceeds of $42,075 in conjunction with the closing of two tranches of a non-brokered private placement. Each unit is comprised of one common share and one share purchase warrant. Each warrant enables the holder to acquire one common share at an exercise price of $0.33 per share, expiring between March 28 and March 29, 2019. If, during the warrant term, the closing price of the Company's common shares is at least $0.66 for a period of twenty consecutive trading days, the Company may, at its option, accelerate the expiry date of the warrants by issuing a news release or giving written notice thereof all holders of warrants, and in such case, the warrants will expire on the earlier of the 30th day after the date on which the news release or written notice is disseminated by the Company, and the original expiry date. The Company paid cash issuance costs of $1,137.

On May 1, 2017, the Company issued 190,000 units at $0.165 per unit for gross proceeds of $31,350 in conjunction with the closing of a tranche of a non-brokered private placement. Each unit is comprised of one common share and one share purchase warrant. Each warrant enables the holder to acquire one common share at an exercise price of $0.33 per share, until May 1, 2019. If, during the warrant term, the closing price of the Company's common shares is at least $0.66 for a period of twenty consecutive trading days, the Company may, at its option, accelerate the expiry date of the warrants by issuing a news release or giving written notice thereof all holders of warrants, and in such case, the warrants will expire on the earlier of the 30th day after the date on which the news release or written notice is disseminated by the Company, and the original expiry date. The Company paid cash issuance costs of $915.

On June 30, 2017, the Company issued 51,849,941 units at $0.165 per unit for gross proceeds of $8,555,240 in conjunction with the closing of a non-brokered private placement. Each unit is comprised of one common share and one share purchase warrant. Each warrant enables the holder to acquire one common share at an exercise price of $0.33 per share, until June 30, 2019. A residual value of $2,333,247 was allocated to the warrants and $6,221,993 to the common shares.

(Expressed in Canadian dollars)

9. SHARE CAPITAL AND RESERVES (continued)

Issued – 2017 transactions (continued)

Finders' fees paid in conjunction with this private placement were comprised of cash payments totalling $662,485, the issuance of 3,665,859 shares valued at $384,915 and the issuance of 3,221,529 share purchase warrants valued at $322,188, of which 554,863 warrants are exercisable for two years and of which 2,666,666 warrants are exercisable for four years, all with the same terms as those attached to the unit warrants.

On October 10, 2017, the Company received proceeds of $57,750 in conjunction with the exercise of 350,000 stock options. In addition $38,912 representing the fair value of the options on initial vesting was re-allocated from reserves to share capital.

On October 11, 2017, the Company issued 1,502,788 common shares and 191,266 units in conjunction with the settlement of $323,988 of debt. The fair value of the 1,502,788 common shares and 191,266 units issued was $457,395, or $0.27 both per common share and per unit, resulting in a loss on settlement of $133,407. Each unit is comprised of one common share and one share purchase warrant. Each warrant enables the holder to acquire one common share at an exercise price of $0.60 per share, until October 11, 2019. There was no residual value allocated to the warrants of the units issued.

On October 25, 2017, the Company issued 3,666,666 units at $0.27 per unit for proceeds totaling $990,000, in conjunction with the closing of a non-brokered private placement. Each unit is comprised of one common share of the Company and one share purchase warrant. Each warrant enables the holder to acquire one common share at the price of $0.60 per share until December 31, 2019. The Company paid cash issuance costs of $5,700.

Warrants

A summary of the number of common shares reserved pursuant to the Company's warrants outstanding as at December 31, 2018 and 31 December 2017, is as follows:

	Number of Warrants		Weighted Average Exercise Price
Outstanding, December 31, 2016	4,740,864		0.24
Issued	60,895,489		0.36
Outstanding, December 31, 2017	65,636,353	$	0.34
Issued	15,000,000		0.32
Expired	(4,740,864)		0.24
Outstanding, December 31, 2018	75,895,489	$	0.34

(Expressed in Canadian dollars)

9. SHARE CAPITAL AND RESERVES (continued)

Warrants (continued)

A summary of the number of common shares reserved pursuant to the Company's warrants outstanding as at December 31, 2018 is as follows:

Expiry date	Number	Exercise Price
March 28, 2019	133,333	0.24
March 29, 2019	121,666	0.24
April 18, 2019	1,521,143	0.30
May 1, 2019	190,000	0.33
June 30, 2019	52,404,752	0.50
October 11, 2019	191,266	0.78
December 31, 2019	3,666,666	1.00
June 29, 2021	2,666,666	2.50
August 29, 2019	15,000,000	0.64
Total	75,895,492	0.61

The fair value for share purchase warrants issued have been estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	2018	2017
Risk-free interest rate	-	0.96%
Expected life (in years)	-	2.00
Expected volatility	-	219.89%
Expected dividend rate	-	0.00%
Fair value	-	$0.03

Stock options

The Company has a stock option plan under which it is authorized to grant options to directors, employees and consultants, to acquire up to 10% of the issued and outstanding common stock. The exercise price of each option is based on the market price of the Company's stock at the date of grant. The options can be granted for a maximum term of 10 years and vest as determined by the board of directors.

A summary of the status of the Company's stock options as at December 31, 2018 and 2017 is as follows:

(Expressed in Canadian dollars)

9. SHARE CAPITAL AND RESERVES (continued)

Stock options (continued)

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2016	621,666	1.20
Granted	7,210,000	0.24
Exercised	(350,000)	0.18
Expired	(555,000)	1.17
Cancelled	(266,666)	0.18
Outstanding, December 31, 2017	6,660,000	0.25
Granted	6,408,333	0.32
Expired	(66,667)	1.20
Outstanding, December 31, 2018	13,001,666	0.28

A summary of the number of common shares reserved pursuant to the Company's options outstanding as at December 31, 2018 is as follows:

Expiry Date	Number of Options	Exercise Price
February 22, 2019	193,333	$0.165
September 24, 2027	5,983,333	$0.24
October 22, 2027	416,667	$0.24
August 29, 2023	333,333	$0.33
August 29, 2019	6,075,000	$0.31
Total	13,001,666	$0.28

During the year ended December 31, 2018, the Company recognized $906,006 (2017 - $776,038) of share-based compensation expense.

9. SHARE CAPITAL AND RESERVES (continued)

Stock options (continued)

2018 transactions

On February 7, 2018, the Company granted 333,333 stock options to an officer of the Company exercisable at a price of $0.33 per share. These options vest upon achievement of certain performance conditions and expire at the earlier of: i) five years from the date each milestone is obtained, or ii) ten years from the date of grant being February 7, 2028. 100% will vest upon commencement of the trading of the company's shares on the Australian Stock Exchange and be exercisable at a price of $0.33 per share.

On August 29, 2018 Finders fees and listing costs paid in conjunction with the Prospectus Offering were the issuance of 6,075,000 share options valued at $222,100 exercisable for one year, at a share price of AUD$0.33 ($0.31), expiring on August 29, 2019

2017 transactions

On February 23, 2017, the Company granted 810,000 stock options to directors, officers, and consultants of the Company. The options are exercisable for a period of two years at a price of $0.165 per share. The options vested immediately upon grant.

On September 25, 2017, the Company granted 5,983,333 stock options to directors of the Company. These options vest upon achievement of certain performance conditions and expire at the earlier of: i) three years from the date each milestone is obtained, or ii) ten years from the date of grant being September 24, 2027. 40% will vest upon receipt of a drilling permit for the Salave Gold project; or if a previous permit is deemed to be still active, upon commencement of a drilling program, exercisable at a price of $0.24 per share. 20% will vest upon completion of an equity financing of minimum $1,000,000 in North America, exercisable at a price of $0.33 per share. 20% will vest upon commencement of trading of the Company’s shares on the Australia Stock Exchange, exercisable at a price of $0.33 per share. 20% will vest upon completion of a Preliminary Economic Assessment Study or a Scoping Study on the Salave Gold Project, exercisable at a price of $0.45 per share. As at March 31, 2018, two of the above milestones have been achieved for the receipt of the drilling permit and successful equity financing.

On October 23, 2017, the Company granted 416,666 stock options to an employee of the Company exercisable at a price of $0.24 per share. These options vest upon achievement of certain performance conditions and expire at the earlier of: i) five years from the date each milestone is obtained, or ii) ten years from the date of grant being October 22, 2027. 40% will vest upon completion of 1,000m of drilling at the Salave Gold Project and 60% will vest upon completion of a Joint Ore Reserves Committee Report on exploration results, mineral resources and ore reserves or National Instrument 43-101 Preliminary Economic Assessment or Scoping Study on the Salave Gold Project. As at September 30, 2018, the milestone has been achieved for the completion of 1,000m drilling at the Salave Gold Project.

(Expressed in Canadian dollars)

9. SHARE CAPITAL AND RESERVES (continued)

EPS and diluted EPS

Basic EPS is calculated by dividing the net income (loss) for the year by the weighted average number of common shares outstanding during the year.

Diluted EPS is determined by dividing the profit or loss attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for the effects of all potential dilutive common shares related to stock options, warrants, and convertible debentures issued by the Company.

		2018		2017
Net income (loss) attributable to common shareholders	$	(3,638,540)	$	4,578,701
Weighted average number of common shares - basic		90,812,051		46,569,062
Weighted average number of common shares - diluted		90,812,051		48,120,624
Basic earnings (loss) per common share - basic	$	(0.04)	$	0.09
Basic earnings (loss) per common share - diluted	$	(0.04)	$	0.09

The Company's stock options and convertible debentures had a dilutive effect during the year ended December 31, 2018.

10. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

During the years ended December 31, 2018 and 2017, the Company incurred the following non-cash transactions that are not reflected in the statements of cash flows:

		2018		2017
Allocation of equity portion of convertible debt	$	15,388	$	-
Residual value of unit warrants	$	1,560,000	$	2,675,622
Fair value of finder's warrants	$	-	$	322,188
Fair value of warrants issued with convertible debentures	$	-	$	166,764
Shares issued for convertible debt	$	219,377	$	-
Options issued as finders fees	$	222,100	$	-
Shares issued as finders fees	$	92,493	$	-

Accounts payable of $306,040 (2017 - $122,067) was forgiven during the year. No cash was paid income taxes in all periods presented.

Cash and equivalents consists of $785,320 (2017 - $730,221) of cash and $2,796,941 (2017 - $1,023,000) in cash equivalents.

11. RELATED PARTY TRANSACTIONS

The Company considers personnel with the authority and responsibility for planning, directing and controlling the activities of the Company to be key management personnel.

(Expressed in Canadian dollars)

11. RELATED PARTY TRANSACTIONS (continued)

Transactions with key management personnel

The following amounts were incurred with respect to the President and Chief Executive Officer, a Director, the Chief Operating Officer and the Chief Financial Officer of the Company:

	2018	2017
Management fees – current Chief Executive Officer	$ 258,882	$ 158,951
Management fees – former management	-	615,028
Severance – former management	-	300,000
Directors' fees – current directors	190,435	94,282
Directors' fees – former directors	-	45,000
Management fees – current Chief Financial Officer	122,147	-
Administrative fees – current Chief Executive Officer	52,178	-
Professional fees – former Chief Financial Officer	-	144,000
Severance – former Chief Financial Officer	-	36,000
Share-based compensation	840,142	585,114
	$ 1,463,784	$ 1,978,375

There is $74,794 (2017 - $114,770) in accounts payable and accrued liabilities at December 31, 2018 that is due to directors, officers and companies controlled by directors or officers or a former director or officer of the Company.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

The inputs used in making fair value measurements are classified within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

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

The carrying value of receivables and accounts payable and accrued liabilities and loan facility approximated their fair value because of the short-term nature of these instruments. Cash is measured at fair value using Level 1 inputs. The carrying value of deposits also approximates its fair value.

Financial instruments measured at fair value on the consolidated statements of financial position are summarized in levels of fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash and equivalents	$ 3,582,261	$ -	$ -	$ 3,582,261

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Company has exposure to the following risks from its use of financial instruments:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's cash is held at large financial institutions and it believes it has no significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations, and anticipating investing and financing activities. As at December 31, 2018, the Company had current assets of $3,806,909 to settle current liabilities of $537,051 which either have contractual maturities of less than 30 days and are subject to normal trade terms or are due on demand.

Market risk

Market risk is the risk of loss that may arise from changes in market factors, such as interest rates and foreign exchange rates.

a) Interest rate risk

Interest rate risk is the risk due to variability of interest rates. The Company is exposed to interest rate risk on its bank account. The income earned on the bank account is subject to the movements in interest rates. The Company has cash balances and no-interest bearing debt, therefore, interest rate risk is nominal.

b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations, exploration and administrative expenses in Spain by using Euros converted from its Canadian bank accounts. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk. Based on the Company's Euro denominated financial instruments at December 31, 2018, a 10% change in exchange rates between the Canadian dollar and the Euro would result in a change in foreign exchange gain or loss.

13. CAPITAL MANAGEMENT

The Company's capital structure consists of shareholders' equity and a loan facility agreement (see Note 7). The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its business and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing, selling assets, and incurring debt. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, high liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the year. The Company will need to raise additional capital by obtaining equity financing, selling assets and incurring debt to develop its business.

(Expressed in Canadian dollars)

14. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment, being the acquisition, exploration of exploration and evaluation assets located in Spain. Geographic information is as follows:

	Deposits	Equipment	Total
December 31, 2018			
Canada	$ 1,240	$ -	$ 1,240
Spain	-	-	-
	$ 1,240	$ -	$ 1,925
December 31, 2017			
Canada	$ 1,240	$ 981	$ 2,221
Spain	-	-	-
	$ 1,240	$ 981	$ 2,221

15. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2018	2017
Income (Loss) for the year	$ (3,638,540)	$ 4,578,701
Expected income tax recovery	$ (982,000)	$ 1,190,000
Change in statutory, foreign tax, foreign exchange rates and other	(79,000)	(853,000)
Share issuance costs	(205,000)	(174,000)
Permanent differences	245,000	145,000
Adjustment to prior year tax provision versus statutory tax returns	(309,000)	(572,000)
Change in unrecognized deductible temporary differences	1,330,000	264,000
Total income tax expense (recovery)	$ -	$ -

The significant components of the Company's temporary differences and tax losses that have not been recognized on the consolidated statements of financial position are as follows:

Temporary Differences	2018	Expiry Date Range	2017	Expiry Date Range
Exploration and evaluation assets	$ 19,723,000	No expiry date	$ 19,017,000	No expiry date
Share issue costs and other	1,387,000	2039 to 2042	705,000	2038 to 2041
Non-capital losses available for future period	15,372,000	2023 to no expiry	11,769,000	2023 to no expiry

Tax attributes are subject to review and potential adjustment by tax authorities.

16. SUBSEQUENT EVENTS

Subsequent to December 31, 2018:

On February 11, 2019 the Company announced the results of the Preliminary Economic Assessment (“PEA”) completed on its 100% owned Salave Gold based on the recently completed Mineral Resource Estimate completed by CSA Global.

On February 18, 2019 the Company announced that the Company's common shares without par value (the "**Shares**") will be voluntarily delisted from the TSX Venture Exchange (the "**TSX-V**") effective at the close of trading on February 28, 2019. The Shares will continue to trade on the Australian Securities Exchange (the "ASX") as CHESS Depository Interests (or "CDIs") under the ASX Code "BDG".