FRONTLINE GOLD CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN CANADIAN DOLLARS)

MORGAN & COMPANY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Frontline Gold Corporation

Opinion

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

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

Basis for Opinion

We conducted our audit 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $107,946 during the year ended December 31, 2018 and, as of that date, the Company's current liabilities exceeded its total assets by $2,538,948. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, 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 comprises the information included in the 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. 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.

ASK
PO Box 10007, 1630 – 609 Granville Street, Vancouver, British Columbia, Canada V7Y 1A1
Tel: (604) 687 – 5841 Fax: (604) 687 – 0075 Email: info@morgancollp.com
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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 Andrew Lee.

Vancouver, Canada	*"Morgan & Company LLP"*
May 2, 2019	Chartered Professional Accountants

MORGAN
COMPANY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Frontline Gold Corporation
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

		As at December 31, 2018		As at December 31, 2017
Assets				
Current assets				
Cash	**$**	**31,187**	$	19,244
Short-term investments (note 5)		**36,106**		4,150
Amounts receivable		**17,285**		12,266
Total current assets		**84,578**		35,660
Non-current assets				
Equipment (note 7)		**2,925**		4,037
Exploration and evaluation assets (note 6)		**625,405**		549,949
Total non-current assets		**628,330**		553,986
Total assets	**$**	**712,908**	$	589,646
Liabilities and Shareholders' Deficiency				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**1,427,764**	$	1,309,595
Loans payable (note 8)		**137,163**		153,828
Amounts owing to related parties (note 10)		**1,058,599**		954,895
Total liabilities		**2,623,526**		2,418,318
Shareholders' deficiency				
Share capital (note 11)		**13,593,633**		13,593,633
Shares to be returned to treasury and cancelled (note 11)		**(73,548)**		(73,548)
Share-based payments reserve (note 11)		**1,718,102**		1,692,102
Deficit		**(17,148,805)**		(17,040,859)
Total shareholders' deficiency		**(1,910,618)**		(1,828,672)
Total liabilities and shareholders' deficiency	**$**	**712,908**	$	589,646

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

Nature of Operations and Going Concern (note 1)

These consolidated financial statements were authorized for issue by the Board of Directors on May 2, 2019. They are signed on the Company's behalf by:

"Walter Henry" Director (Signed)

"Tom Hussey" Director (Signed)

Frontline Gold Corporation

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

		Year Ended December 31, 2018		Year Ended December 31, 2018
Operating expenses				
Consulting fees	$	**850**	$	7,500
Depreciation		**1,112**		1,552
Interest and loan fees		**17,707**		32,979
Office and general		**4,095**		754
Professional fees		**35,533**		33,530
Shareholder information and communications		**-**		1,174
Share transfer, listing and filing fees		**10,209**		13,709
Share-based payments		**26,000**		64,167
Travel and business development		**1,359**		113
Total operating expenses		**96,865**		155,478
Loss before other items		**(96,865)**		(155,478)
Other items				
Foreign exchange (loss) gain		**(22,393)**		17,689
Unrealized gain (loss) on short-term investments		**4,812**		(4,853)
Gain on optioning of properties		**6,500**		103,675
Reversal of prior years' expenses		**-**		35,686
Total other items		**(11,081)**		152,197
Total comprehensive loss for the year	$	**(107,946)**	$	(3,281)
Net loss and comprehensive loss per share - basic and diluted	$	**(0.00)**	$	(0.00)
Weighted average number of shares outstanding - basic and diluted		**140,463,361**		140,463,361

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

Frontline Gold Corporation
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

		Year Ended December 31, 2018		Year Ended December 31, 2018
Operating activities				
Net loss for the year	**$**	**(107,946)**	$	(3,281)
Adjustments for:				
Depreciation		**1,113**		1,552
Income from optioning property		**(6,500)**		(103,675)
Share-based payments		**26,000**		64,167
Unrealized loss (gain) on short-term investments		**(4,811)**		4,853
Changes in non-cash working capital items:				
Amounts receivable		**(5,019)**		(8,762)
Accounts payable and accrued liabilities		**54,469**		(12,225)
Related party loans		**103,704**		352,438
Net cash provided by operating activities		**61,010**		295,067
Investing activities				
Expenditures on exploration and evaluation assets (net of recovery)		**(62,256)**		(140,614)
Proceeds from optioning of exploration and evaluation assets		**30,000**		75,000
Proceeds from sale of short-term investments		**14,690**		188,612
Purchase of short-term investments		**(14,835)**		(76,865)
Net cash provided by (used in) investing activities		**(32,401)**		46,133
Financing activity				
Repayment of loans		**(16,666)**		(296,171)
Net cash used in financing activity		**(16,666)**		(296,171)
Net change in cash		**11,943**		45,029
Cash (Bank indebtedness), beginning of year		**19,244**		(25,785)
Cash, end of year	**$**	**31,187**	$	19,244
Non-cash transactions				
Shares received as option payment	**$**	**27,000**	$	120,000

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

Frontline Gold Corporation

Consolidated Statements of Changes in Shareholders' Deficiency
For the years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Common shares without par value #		Amount		Treasury shares		Share-based payments reserve		Deficit		Total deficiency
Balance, December 31, 2016	140,463,361	$	13,593,633	$	(73,548)	$	1,627,935	$	(17,037,578)	$	(1,889,558)
Share-based payments (note 11)	-		-		-		64,167		-		64,167
Net loss for the year	-		-		-		-		(3,281)		(3,281)
Balance, December 31, 2017	140,463,361	$	13,593,633	$	(73,548)	$	1,692,102	$	(17,040,859)	$	(1,828,672)
Share-based payments (note 11)	-		-		-		26,000		-		26,000
Net loss for the year	-		-		-		-		(107,946)		(107,946)
Balance, December 31, 2018	**140,463,361**	**$**	**13,593,633**	**$**	**(73,548)**	**$**	**1,718,102**	**$**	**(17,148,805)**	**$**	**(1,910,618)**

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

1. Nature of Operations and Going Concern

Frontline Gold Corporation (“Frontline" or the "Company”) was incorporated under the Canada Business Corporations Act on January 16, 2008 and completed an initial public offering on March 23, 2009. The address of the Company’s corporate office and principal place of business is 1 Toronto Street, Suite 201, Box 10, Toronto, Ontario, Canada.

The Company is in the process of exploring mineral properties in Canada, Mali and Turkey and has not yet determined whether these properties contain economic reserves. To date, the Company has not earned production revenue and is considered to be in the development stage.

The Company’s consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company has incurred net losses to date and as at December 31, 2018 has a working capital deficiency of $2,538,948 (December 31, 2017 - $2,382,658).

Management cannot provide assurance that the Company will ultimately achieve profitable operations or become cash flow positive, or raise additional debt and/or equity capital. Management intends to continue to raise additional funding in the form of equity financing from the sale of common stock and/or monetization of assets to improve the working capital position, but there is no assurance that the Company will be successful in achieving these goals. These factors may cast significant doubt on the use of the going concern basis of accounting used in the preparation of these consolidated financial statements. These financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue in business, and these adjustments may be material.

2. Basis of Preparation

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of International Financial Reporting Interpretations Committee (“IFRIC”) applicable to the preparation of annual consolidated financial statements.

(b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis using the accrual basis of accounting except for cash flow information.

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

(c) Basis of Consolidation

These financial statements are consolidated with Frontline Gold Madencilik San. Ve Tic. Ltd. Sti. (formerly Merrex Insaat Madencilik Sanayi Tasimacilik ve Ticaret Ltd. Sti.), a 100%-owned subsidiary of the Company. All intercompany balances and transactions are eliminated upon consolidation.

2. Basis of Preparation (Continued)

(d) Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make accounting estimates and judgments that affect the amounts reported in the consolidated financial statements and notes. By their nature, these estimates and judgments are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be material. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Critical accounting estimates

The amounts recorded for share-based compensation transactions are based on estimates. The Black-Scholes option pricing model is based on estimates of assumptions for expected volatility, expected number of options to vest, dividend rate, risk-free interest rate and expected life of the options.

The recoverability of amounts shown for exploration and evaluation assets is dependent on the discovery of economical reserves, the acquisition of titles and/or interests in the mineral exploration properties, the ability of the Company to obtain financing to complete development of the properties and on future production or proceeds of disposition.

Management's assumption that there are currently no decommissioning liabilities is based on the facts and circumstances that existed during the period.

Deferred income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the statement of financial position and their corresponding tax values. Deferred income tax assets also result from unused loss carry- forwards and other deductions. To the extent the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is not recognized.

Critical accounting judgments

The following accounting policies involve judgments or assessments made by management:

- The assessment of impairment conditions for the carrying amounts of exploration and evaluation assets;
- The determination of categories of financial assets and financial liabilities;
- The determination of a cash-generating unit for assessing and testing impairment;
- The allocation of exploration costs to cash-generating units; and
- The determination of when an exploration and evaluation asset moves from the exploration stage to the development stage.

3. Significant Accounting Policies

(a) Business Combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given up, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the subsidiary. Acquisition related costs are recognized in the statement of operations and comprehensive loss as incurred.

(b) Cash

Cash consists of cash on hand and demand deposits with maturities less than three months.

3. Significant Accounting Policies (Continued)

(c) Foreign Currency Translation

In preparing the consolidated financial statements, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period-end exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are included in the consolidated statement of operations and comprehensive loss.

(d) Exploration and Evaluation Assets

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activities, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized as incurred as intangible assets. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, which management has determined to be indicated by a feasibility study and a decision to proceed with development, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to resource property in property, plant and equipment.

An impairment review of exploration and evaluation assets is performed, either individually or at the cash generating unit level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent this occurs, the excess is fully provided against the carrying amount, in the period in which this is determined. Exploration and evaluation assets are assessed on a regular basis and these costs are carried forward provided at least one of the following conditions is met:

- such costs are expected to be recovered through successful exploration and development and of the area of interest or by its sale; or
- exploration and evaluation activities in the area have not yet reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned in the future.

(e) Equipment

Items of equipment are recorded at cost and depreciated over their estimated useful lives. The cost of an item includes the purchase price and directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of operations and comprehensive loss during the financial period in which they are incurred.

Depreciation is recognized using the following rates and methods:

Furniture and equipment	20% declining balance
Computer hardware	30% declining balance

Depreciation methods, useful lives and residual values are reviewed at each financial year end and are adjusted if appropriate.

3. Significant Accounting Policies (Continued)

(f) Impairment of Non-Financial Assets

The Company's tangible assets are reviewed for an indication of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated. Long-lived assets that are not amortized are subject to an annual impairment assessment.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Company considers each mineral property to be a cash-generating unit. Impairment losses are recognized in the statement of operations and comprehensive loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's 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 assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

(g) Share-based Compensation

The Company grants stock options to buy common shares of the Company to directors, officers, employees and services providers. The Board of Directors grants such options for periods of up to ten years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of share purchase options granted are recognized as expenses or are capitalized as exploration and evaluation assets as appropriate, with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value for share purchase options granted to employees or those providing services similar to those provided by a direct employee are measured at the grant date and each tranche is recognized using the graded vesting method over the period during which the share purchase options vest. The fair value of the share purchase options granted are measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

The fair value of the share purchase options granted to non-employees is measured at the fair value of the services received, on the date they are received. If the fair value of the services received cannot be estimated reliably, the fair value of the share purchase options is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

At each financial position reporting date, the amount recognized is adjusted to reflect the actual number of share purchase options that are expected to vest.

3. Significant Accounting Policies (Continued)

(h) Income Taxes

Income tax consists of current and deferred tax and is recognized in the statement of operations and comprehensive 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 assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is not recognized.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit;
- goodwill not deductible for tax purposes;
- investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

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.

(i) Loss per Share

Loss per share is computed by dividing the net loss attributable to common shareholders by the weighted average number of shares outstanding during the period. Diluted loss per share is computed similar to basic 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 periods.

3. Significant Accounting Policies (Continued)

(j) Financial Instruments

Recognition

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

Classification and Measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

i) those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and
ii) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

i) amortized cost;
ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
iii) FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

3. Significant Accounting Policies (Continued)

(j) Financial Instruments (continued)

Classification and Measurement (continued)

The Company's financial instruments consist of the following:

	Classification
Financial assets	
Cash	FVTPL
Short-term investments	FVTPL
Amounts receivable	Amortized cost
Financial liabilities	
Accounts payable and accrued liabilities	Amortized cost
Amounts due to related parties	Amortized cost
Loans payable	Amortized cost

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

Fair value hierarchy

The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to the valuation technique used to measure fair value as per IFRS 7. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activities).

3. Significant Accounting Policies (Continued)

(k) Flow-through Shares

The Company will, from time to time, issue flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share subscription 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 expenses being incurred, the Company recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders and the premium liability is reversed. The reversal of the premium liability and the deferred tax liability are recognized as tax recoveries to the extent that suitable deferred tax assets are available.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's fiscal period is disclosed separately as flow-through share commitments.

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.

(l) Fair Value of Warrants

Proceeds from unit placements are allocated between shares and warrants using the residual method. Warrants issued to brokers are valued using the Black-Scholes option pricing model.

(m) Decommissioning Liabilities

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. A pre-tax discount rate that reflects the time value of money and the risks specific to the liability are used to calculate the net present value of the expected future cash flows. These costs are charged to the statement of operations over the economic life of the related asset, through depreciation expense using either the unit-of-production or the straight-line method as appropriate. The related liability is progressively increased each period as the effect of discounting unwinds, creating an expense recognized in the statement of operations. The liability is assessed at each reporting date for changes to the current market-based discount rate, and amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage, which is created on an ongoing basis during production, are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

3. Significant Accounting Policies (Continued)

(n) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance expense.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required, the provision is reversed. The Company presently does not have any amounts considered to be provisions.

(o) Adoption of New Accounting Standards

IFRS 9 Financial Instruments

On July 24, 2014, the IASB issued the completed IFRS 9 ("IFRS 9 (2014)") to come into effect on January 1, 2018 with early adoption permitted.

IFRS 9 (2014) includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely retains the existing requirements in IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"), for the classification and measurement of financial liabilities.

The Company adopted IFRS 9 in its financial statements on January 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening accumulated deficit balance on January 1, 2018. The impact on the classification and measurement of its financial instruments is set out below.

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the consolidated statement of loss and comprehensive loss for the period. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

3. Significant Accounting Policies (Continued)

(o) Adoption of New Accounting Standards (continued)

IFRS 9 Financial Instruments (continued)

The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument:

Classification	IAS 39	IFRS 9
Cash	FVTPL	FVTPL
Short-term investments	FVTPL	FVTPL
Amounts receivable	Loans and receivables (amortized cost)	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost
Amounts due to related parties	Other financial liabilities (amortized cost)	Amortized cost
Loans payable	Other financial liabilities (amortized cost)	Amortized cost

The original carrying value of the Company's financial instruments under IAS 39 has not changed under IFRS 9.

(p) Recent Accounting Pronouncements

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2019, or later periods. Updates that are not applicable or are not consequential to the Company have been excluded in the standards listed below.

The Company anticipates that the application of these standards, amendments, revisions and interpretations will not have a material impact on the results and financial position of the Company.

IFRS 16 Leases

IFRS 16 Leases replaces IAS 17 – Leases and requires lessees to account for leases on the statement of financial position by recognizing a right to use asset and lease liability. The standard is effective for annual reports beginning on or after January 1, 2019.

4. Capital Management

The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition and exploration of mineral properties and maintain the necessary corporate and administrative functions to facilitate these activities. The Company's definition of capital is equity and working capital.

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing, primarily equity financing, to fund its activities. There can be no assurance that the Company will be able to continue to raise capital in this manner. To carry out the planned exploration and fund administrative costs, the Company will raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it believes there is sufficient geologic and economic potential and if it has adequate financial resources to do so. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

(Expressed in Canadian Dollars, except as otherwise indicated)

5. Short-term Investments

	Number of shares	Historical cost	**Fair value December 31, 2018**	Fair value December 31, 2017
Granite Creek Gold Ltd.	25,000	$ 2,000	**$ 1,250**	$ 1,250
Pacton Gold Inc. *	107,250	33,019	**34,856**	2,900
		$ 35,019	**$ 36,106**	$ 4,150

*During the year ended December 31, 2018, the Company received 100,000 shares as an option payment with a fair value of $27,000 for its Red Lake property (Note 6).

6. Exploration and Evaluation Assets

The change in exploration and evaluation ("E&E") assets in the period are as follows:

	As at December 31, 2017	Acquisition Costs	Exploration Expenditures	Option Proceeds Received	**As at December 31, 2018**
Niaouleni Gold Project	$ 33,424	$ -	$ -	$ -	**$ 33,424**
Red Lake – Birch Lake	24,500	26,000	-	(50,500)	**-**
Whitehorse Property	-	-	115	-	**115**
Rainy River Property	74,500	2,500	-	-	**77,000**
Kambertepe Property	167,018	-	1,623	-	**168,641**
Keban Property	200,517	-	-	-	**200,517**
Giresun Property	21,000	-	-	-	**21,000**
Rex Lake Property	-	8,000	2,301	-	**10,301**
Jubilee Lake Property	-	2,000	7,140	-	**9,140**
Gullrock Property	-	75,000		-	**75,000**
Other Ontario Property	28,990	-	1,277	-	**30,267**
	$ 549,949	$ 113,500	$ 12,456	$ (50,500)	**$ 625,405**

	As at December 31, 2016	Acquisition Costs	Exploration Expenditures	Option Proceeds Received	As at December 31, 2017
Niaouleni Gold Project	$ -	$ -	$ 33,424	$ -	$ 33,424
Red Lake – Birch Lake	52,113	24,500	-	(52,113)	24,500
Chukuni Property	18,900	15,000	3,200	(37,100)	-
Whitehorse Property	2,112	-	-	(2,112)	-
Rainy River Property	33,000	32,500	9,000	-	74,500
Kambertepe Property	167,018	-	-	-	167,018
Keban Property	200,517	-	-	-	200,517
Giresun Property	21,000	-	-	-	21,000
Other Ontario Property	6,000	1,575	21,415	-	28,990
	$ 500,660	$ 73,575	$ 67,039	$ (91,325)	$ 549,949

6. Exploration and Evaluation Assets (Continued)

Niaouleni Gold Project

The Company holds a 100% interest in two contiguous exploration permits (the “Niaouleni Gold Project”) in Mali, West Africa. The permits are subject to a 5% Net Profit Royalty and a 2% Net Smelter Return Royalty (“NSR”). The 2% NSR is convertible at the election of the holder or the Company into 5,000,000 shares of the Company.

The Company holds an option agreement with Granite Creek Gold Ltd. (“Granite Creek”). Granite Creek can acquire an initial 65% interest in the permits by completing US$600,000 in exploration expenditures over a three-year period (the "earn-in period").

Pursuant to the option agreement, Granite Creek issued 25,000 common shares to the Company for a 60-day exclusivity on the option to complete due diligence. In 2015, Granite Creek relinquished its right to the option.

Red Lake - Birch Lake

The Company holds a 100% interest in mineral claims in the Red Lake-Birch Lake District in Northwestern Ontario, approximately 80 kilometres east-northeast of the town of Red Lake.

Frontline's Red Lake Property Group comprises 34 mineral claims and 2 mineral patents, totaling 274 claims units for a total area of approximately 4,420 hectares. The Red Lake Property Group primarily consists of 3 properties: 1) Baird/Heyson mineral claims ("Baird/Heyson Property"), 2) the Chukuni package, and 3) the Whitehorse Island Patents ("Whitehorse Property"):

2017 Option Agreement

On May 17, 2017 the Company executed an option agreement ("2017 Option Agreement") with Pacton Gold Inc. ("Pacton", TSXV: PAC) wherein, Pacton has the option to acquire a 100% percent interest in the Company's Red Lake Property Group, in the Red Lake District (which includes the Chukuni and Whitehorse properties), by making certain payments and share issuances to Frontline. The Company has received from Pacton the first payment of $75,000 and 1,200,000 common shares with a fair value of $120,000 during 2017.

Pacton will have the option to acquire a 100 percent interest in the Red Lake Property Group from Frontline by making four (4) cash payments totaling $300,000 ($75,000 paid), and issuing a total of 4,200,000 common shares (1,200,000 issued) to Frontline over a three (3) year period. Frontline's Red Lake Property Group retains a 2.25% net smelter returns royalty, with Frontline's net smelter returns royalty ranging from 0.25% to 2.25% on all the mineral claims and mineral patents. Pacton can purchase one-half (1/2) of Frontline's royalty by payment of $250,000 for each 0.25% of Frontline's Royalty. The acquisition of the Red Lake Property Group by Pacton was approved by the TSX Venture Exchange.

2018 Option Agreement

On November 1, 2018, the Company entered into an option agreement ("2018 Option Agreement") with Pacton, wherein, Pacton has the option to acquire a 100% percent interest in the 12 mineral claims located in the Red Lake District, by making certain payments and share issuances to Frontline. The Company has received from Pacton the first payment of $30,000 and 100,000 common shares with a fair value of $27,000 during 2018.

Pursuant to the terms of the 2018 Option Agreement, Pacton will have the option to acquire a 100 percent interest in the 12 mineral claims located the Red Lake Property Group from Frontline by making four (4) cash payments totaling $110,000 ($30,000 paid), and issuing a total of 250,000 common shares (100,000 issued) to Frontline over a two (2) year period.

6. Exploration and Evaluation Assets (Continued)

Chukuni Property

During 2015, the Company had, subject to regulatory approval, negotiated an option to purchase up to a 100% interest in the Chukuni property ("Chukuni"), subject to a 0.5% net smelter returns royalty. The property is comprised of six contiguous claims, totaling 2,720 acres on 68 claim units, which is located along the south and western boundaries of Goldcorp Inc.'s ("Goldcorp") Red Lake Gold Mine in the Red Lake Gold District, Ontario.

To exercise its option and acquire up to a 100% interest in the claims, the Company must issue a total of 150,000 shares over two years and pay the Option or a total of $72,000 (of which $7,000 is due on signing (paid), $10,000 is due on the first anniversary date of signing, $15,000 is due on the second anniversary, $20,000 is due on the third anniversary and $20,000 is due on the fourth anniversary). If the Company acquires the claims and begins commercial production on any part of the claims, it will pay a 0.5% net smelter returns royalty. The Company may repurchase one-half of the royalty for $500,000.

Whitehorse Property

The Company had, subject to regulatory approval, acquired a 100% interest in the Whitehorse Island property ("Whitehorse"), which hosts the Whitehorse Island gold shaft. The property comprised of two contiguous claims, totalling 35.55 hectares, is strategically situated between Goldcorp/Premier Gold's Rahill-Bonanza Gold Property to the North-east and Premier Gold's Hasaga Gold property to the south west. The Whitehorse Island mining patents were previously owned by Grandview Gold Inc. On August 31, 2015, the Company entered into a binding Letter of Intent with Abitibi Royalties Inc. to sell a 2% net smelter royalty (“NSR”) on the property and 15% of any cash proceeds should the property be sold or joint ventured. Abitibi Royalties Inc. has paid the Company $10,000.

Rainy River Property

The Company holds an option to acquire a 100% interest in the Rainy River property (“Rainy River”) which is comprised of fifteen contiguous claims located in the Kenora township in Ontario. The property is subject to a net smelter returns royalty of 2% on six of the claims and 1% on the remaining nine claims.

To exercise its option and acquire up to a 100% interest in the claims, the Company must issue a total of 500,000 shares over four years and pay the Optionor a total of $70,000 (of which $10,000 is due on February 1, 2016 ($3,000 paid), $10,000 is due on the first anniversary date of signing, $12,000 is due on the second anniversary, $12,000 is due on the third anniversary, and $26,000 is due on the fourth anniversary).

The Company may repurchase one-half of the 2% royalty for $1,000,000 and one-half of the 1% royalty for $250,000.

The Company acquired an option to acquire a 100% interest in 6 additional claims in the Rainy River property subject to regulatory approval. The 6 claims consist of 79 units and are located within the Company’s Rainy River property group. The property is subject to a 1% net smelter returns royalty.

To exercise its option and acquire up to 100% interest in the claims, the Company must issue a total of 500,000 shares and pay the Optionor a total of $28,000 (of which $2,000 was paid on signing (“Initial Payment”), an additional $3,000 within 30 days of the Initial Payment (paid), an additional $3,000 within 60 days of the initial payment (paid), $7,500 due on the first anniversary date of signing (paid), $7,500 is due on the second anniversary ($2,500 paid), and $5,000 is due on the third anniversary).

The Company may repurchase the 1% NSR royalty for $250,000.

6. Exploration and Evaluation Assets (Continued)

Kambertepe and Keban Tailings

On March 29, 2016, through its Tender Process Agent, AHSA Muh. Mut. ins Mad San Tic Ltd Sti ("AHSA"), the Company was awarded and purchased both the fully permitted Keban and Kambertepe Tailings Projects for the processing of the tailings, which are both located in the Elazig Province of Turkey in the Central East Anatolia region. The acquisition includes the following:

The tailings project was acquired through the conditional payment of 2,550,000 Turkish Lira, approximately C$1,200,000, payable over 12-months starting 30 days following start of profitable operations over a monthly period. The Company will be required to submit monthly operating reports to the Elazig Government. The Company will have 24 months to complete the exploitation of the Keban tailings.

The *Kambertepe Tailings Project* was acquired through the payment of 80,000 Turkish Lira, approximately C$37,000; paid.

Giresun Tailings Project

During 2016 the Company acquired, the fully permitted Giresun Tailings Project for 54,500 TL (approximately $21,000 Cdn (paid)) for the processing of the tailings.

Rex Lake Property

On April 2, 2018, the Company acquired an option to acquire a 100% interest in the Rex Lake property (“Rex Lake”) which is comprised of two claims located in the Rex Lake Township in Ontario.

To exercise its option and acquire up to a 100% interest in the claims, the Company must make a total cash payment of $76,000, of which $8,000 is due on May 15, 2018 (paid), $10,000 is due on May 15, 2019, $12,000 is due on May 15, 2020, $16,000 is due on May 15, 2021, and $30,000 is due on May 15, 2022 and fund staking costs in the minimum amount of $2,000 to be done or before April 10, 2018 (paid).

The property is subject to a net smelter return royalty of 1.50%. The Company may repurchase one-half of the 1.50% royalty for $500,000.

Jubilee Lake Property

On October 24, 2017, the Company announced that it acquired a 100% interest in six mineral claims, covering approximately 736 hectares, primarily located within the Jubilee Lake and Birkett townships of Northwestern Ontario's Red Lake Mining Division.

To exercise its option and acquire a 100% interest in the Jubilee Lake Prospect claims, the Company must pay the Optionor a total of $16,500 (of which a total of $15,000 is due in years 1 to 3 of the option agreement) and grant the Optionor a 2% net smelter returns royalty. The Company has paid $1,500.

The properties are subject to a 1% NSR royalty on six claims. Frontline may repurchase one-half of the 1% royalty for $250,000.

(Expressed in Canadian Dollars, except as otherwise indicated)

6. Exploration and Evaluation Assets (Continued)

Gullrock Property

On November 27, 2018, the Company acquired a 100% interest in the Gullrock property, located in the Red Lake district, from Alexandria Minerals Corporation ("Alexandria", a company related to a director and officer of the Company). As consideration for this 100% interest, the Company paid $75,000 ($11,300 as of December 31, 2018, with the remainder paid subsequent to year end).

The acquisition of the Gullrock Property also includes all exploration data and technical information associated with the properties in the possession of the Alexandria, and any other hard assets located on the property underlying the properties.

7. Equipment

Cost	December 31, 2016	Additions	December 31, 2017	Additions	**December 31, 2018**
Furniture and equipment	$ 5,015	-	$ 5,015	$ -	**$ 5,015**
Computer hardware	38,148	-	38,148	-	**38,148**
	$ 43,163	$ -	$ 43,163	$ -	**$ 43,163**

Accumulated Depreciation	December 31, 2016	Additions	December 31, 2017	Additions	**December 31, 2018**
Furniture and equipment	$ 3,769	249	$ 4,018	$ 200	**$ 4,218**
Computer hardware	33,805	1,303	35,108	912	**36,020**
	$ 37,574	$ 1,552	$ 39,126	$ 1,112	**$ 40,238**

Carrying amounts	December 31, 2017	**December 31, 2018**
Furniture and equipment	$ 997	**$ 797**
Computer hardware	3,040	**2,128**
	$ 4,037	**$ 2,925**

8. Loans Payable

The unsecured loan is from two non-arm's length investors. The loans are to be repaid in 12 monthly instalments of $37,500 beginning in November 2016. The loan bears interest at 12%. In the event the Company defaults on any payment of interest or principal when due, the interest rate shall increase to 18% with the unpaid balance of the loan becoming payable on demand. The balance of the outstanding loan as at December 31, 2018 is $137,163 (December 31, 2017 - $153,828).

In addition, the Investors are also entitled to receive royalty payments "(Royalties") from the Company. The Royalties shall be calculated as 3.5% of the "Net Proceeds", as defined below, received by the Company from the Keban and Kambertepe tailings projects in Turkey (the "Tailings Projects"). Net Proceeds shall mean the gross revenue received by the Company or any of its subsidiaries from the sale of metals or any other products derived from the Tailings Projects after deducting the excavating and transportation costs, and processing costs.

The Company has the right to buy back 0.5% of the Royalty (in which case the outstanding royalty will drop to 3%) one year after the first royalty payment has been made at a purchase price of $100,000. The right is exercisable for a period of 30 days after which it shall expire and terminate if not exercised by the Company.

(Expressed in Canadian Dollars, except as otherwise indicated)

9. Income Taxes

A reconciliation of the income taxes calculated using the combined Canadian federal and provincial statutory rates to the Company's effective income tax rate is as follows:

	December 31, 2018	December 31, 2017
Loss before income tax	**$ (107,946)**	$ (3,281)
Statutory tax rate	**27.00%**	27.00%
Computed tax recovery	**(29,000)**	(1,000)
Permanent difference	**7,000**	18,000
Change in respect of prior years and other	**-**	(77,000)
Change in tax assets not recognized	**22,000**	60,000
Deferred income tax recovery	**$ -**	$ -

The significant components of the Company's deferred income tax assets are as follows:

	December 31, 2018	December 31, 2017
Non-capital loss carry forwards	**$ 1,212,000**	$ 1,189,000
Capital loss carry forwards	**3,000**	3,000
Resource deductions	**2,933,000**	2,935,000
Equipment and other	**14,000**	13,000
	4,162,000	4,140,000
Deferred tax assets not recognized	**(4,162,000)**	(4,140,000)
Net deferred income tax assets	**$ -**	$ -

The Company has non-capital losses of approximately $4,490,000 (2017 - $4,402,000) which expire as follows: 2030 - $1,160,000; 2031 - $1,191,000; 2032 - $874,000; 2033 - $807,000; 2034 - $331,000; 2036 - $2,000; 2037 - $37,000 and 2038 - $88,000. In addition, the Company has accumulated Canadian and Foreign Exploration and Development expenses for income tax purposes of $11,546,000 (2017 - $11,420,000). The expenditure pools can be carried forward indefinitely to be applied against income of future years.

The Company is permitted, under Canadian income tax legislation, to renounce flow-through related resource expenditures to investors in advance of the Company incurring the expenditure. In accordance with this legislation, the Company has twelve months following the effective date of renunciation to incur the expenditures. The Company begins incurring interest charges for unspent funds after one month and until such times as funds are fully expended. If the funds are not completely expended within the twelve-month period, a 10% penalty is payable on the unexpended amount.

10. Related Party Transactions

Payments to key management personnel including the Chief Executive Officer, Chief Financial Officer, and Directors and companies directly controlled by key management personnel are for salaries, director fees, consulting fees, management fees or professional fees and are directly related to their position in the organization.

The Company is related to Merrex Gold Inc. (“Merrex”) by way of common directors and shared staff, rent and office costs in Mali to February 28, 2013. The balance owing to Merrex as at December 31, 2018 for the Company’s portion of shared costs is $259,907 (December 31, 2017 - $259,907). The amount of the payable was subject to mutual agreement of the Company’s share of costs in Mali. The amount due was agreed between the parties during 2013 and a reduction of $278,092 was credited to the Naouleni project during 2013. The amount payable to Merrex is non-interest bearing with no fixed terms of repayment.

The Company has a loan agreement to borrow from its President and Chief Executive Officer. The loan is unsecured and non-interest bearing with no fixed terms of repayment.

Included in amounts owing to related parties are additional amounts owing to directors, officers, and corporations in which directors and officers are shareholders totalling $292,388 (December 31, 2017 - $266,328); and $506,305 (December 31, 2017 - $428,660) owing to the President and Chief Executive Officer.

Share-based payments during the year ended December 31, 2018 include $22,800 to related parties (year ended December 31, 2017 - $56,547).

Related party transactions are in the ordinary course of business, and are measured at the amount agreed to by the related parties.

(Expressed in Canadian Dollars, except as otherwise indicated)

11. Share Capital

Authorized

Unlimited number of common shares, without nominal or par value.

Issued during 2018 and 2017

None issued during the years ended December 31, 2018 and 2017.

Share Purchase Warrants

There were no changes in warrants during the years ended December 31, 2018 and 2017.

Share Purchase Options

The Company adopted a stock option plan under which it is authorized to grant options to officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The options can be granted for a maximum of 10 years and vest as determined by the Board of Directors.

There were no changes in stock options during the years ended December 31, 2018 and 2017.

The following table summarizes information about options outstanding as at December 31, 2018:

Expiry Date	Options Outstanding	Options Exercisable	Weighted average remaining life (years)	Weighted average exercise price
September 27, 2021	10,500,000	10,500,000	2.74	$ 0.05

12. Financial Instruments

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

Credit Risk

The Company has no significant credit risk arising from operations. The Company's credit risk is primarily attributable to cash. The Company holds its cash with a Canadian chartered bank and the risk of default is considered to be remote.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due (Note 1). The Company's approach to managing liquidity risk is to ensure it will have sufficient liquidity to meet liabilities when due. The Company's accounts payable and accrued liabilities are due within one year. As at December 31, 2018, the Company has a working capital deficiency of $2,538,948 (December 31, 2017 - $2,382,658) to settle current liabilities of $2,623,526 (December 31, 2017 - $2,418,318). In addition to the normal working capital requirements, the Company has further payment requirements under option agreements and to maintain its interests in its mineral properties that are outlined in Note 6 - Exploration and Evaluation Assets.

Interest Rate Risk

Interest rate risk is the risk that the value of the Company's assets and liabilities can change due to a change in interest rates. The Company considers interest rate risk related to cash to be low.

Foreign Currency Risk

The Company conducts exploration activities in foreign countries and a portion of exploration expenditures are transacted in US dollars, CFA francs and Turkish Lira. The Company is exposed to risk of major changes in these currencies relative to the Canadian dollar.

Sensitivity Analysis

Certain of the Company's exploration and administrative expenditures are paid in US dollars, CFA francs, British Pounds and Turkish Lira. As at December 31, 2018, the Company had $272,840 in accounts payable denominated in US dollars and converted to Canadian dollars, and $16,528 in accounts payable denominated in British pounds and converted to Canadian dollars. A ten percent change in the exchange rates would affect the Company's working capital by approximately $30,000.

13. Segment Reporting

The Company has one reportable operating segment, being that of acquisition, exploration and evaluation of mineral properties.