FRONTLINE GOLD CORPORATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED JUNE 30, 2018

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

Frontline Gold Corporation

Condensed Consolidated Interim Statements of Financial Position
(Expressed in thousands of Canadian Dollars)
Unaudited

	As at June 30, 2018	As at December 31, 2017
Assets		
Current assets		
Cash	**$ 1,745**	$ 19,244
Short-term investment (note 4)	**5,818**	4,150
Amounts receivable	**14,767**	12,266
Total current assets	**22,330**	35,660
Non-current assets		
Equipment (note 6)	**3,481**	4,037
Exploration and evaluation assets (note 5)	**565,650**	549,949
Total non-current assets	**569,131**	553,986
Total assets	**$ 591,461**	$ 589,646
Liabilities and Shareholders' Deficiency		
Current liabilities		
Accounts payable and accrued liabilities	**$ 1,316,698**	$ 1,309,595
Loans payable (note 7)	**137,163**	153,828
Amounts owing to related parties (note 8)	**1,009,486**	954,895
Total liabilities	**2,463,347**	2,418,318
Shareholders' deficiency		
Share capital (note 9)	**13,593,633**	13,593,633
Shares to be returned to treasury and cancelled (note 9)	**(73,548)**	(73,548)
Share-based payments reserve (note 9)	**1,692,102**	1,692,102
Deficit	**(17,084,073)**	(17,040,859)
Total shareholders' deficiency	**(1,871,886)**	(1,828,672)
Total liabilities and shareholders' deficiency	**$ 591,461**	$ 589,646

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

Nature of Operations and Going Concern (note 1)

These unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 29, 2018. They are signed on the Company's behalf by:

"Walter Henry" Director (Signed)

"Tom Hussey" Director (Signed)

Frontline Gold Corporation

Condensed Consolidated Interim Statements of Income (loss) and Comprehensive Income (loss)
(Expressed in thousands of Canadian Dollars, except per share amounts)
Unaudited

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Operating expenses				
Depreciation	**$ 278**	$ 388	**$ 556**	$ 777
Interest and loan fees	**4,450**	8,900	**8,919**	21,027
Office and general	**2,739**	-	**2,739**	2,828
Professional fees	**2,745**	3,750	**8,120**	7,500
Shareholder information and communications	**-**	275	**-**	574
Share transfer, listing and filing fees	**10,209**	5,109	**10,209**	7,640
Share-based payments	**-**	64,166	**-**	128,333
Travel and business development	**576**	-	**1,359**	113
Total operating expenses	**20,997**	82,588	**31,902**	168,792
Net loss before other items	**(20,997)**	(82,588)	**(31,902)**	(168,792)
Other items				
Foreign exchange gain (loss)	**(4,465)**	6,409	**(12,835)**	9,143
Unrealized gain (loss) on short-term investments	**1,823**	36,000	**1,523**	36,500
Gain on optioning of properties	**-**	195,000	**-**	195,000
Total other items	**(2,642)**	237,409	**(11,312)**	240,643
Total comprehensive income (loss) for the period	**$ (23,639)**	$ 154,821	**$ (43,214)**	$ 71,851
Net income (loss) and comprehensive loss per share - basic and diluted	**$ (0.00)**	$ 0.00	**$ (0.00)**	$ 0.00
Weighted average number of shares outstanding - basic and diluted	**140,463,361**	140,463,361	**140,463,361**	140,463,361

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

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

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Operating activities		
Net income (loss) for the period	**$ (43,214)**	$ 71,851
Adjustments for:		
Depreciation	**556**	777
Income from optioning property	**-**	(75,000)
Share-based payments	**-**	128,333
Unrealized loss (gain) on short-term investments	**(1,523)**	(36,500)
Changes in non-cash working capital items:		
Amounts receivable	**(2,501)**	(2,486)
Prepaid expenses	**-**	(2,600)
Accounts payable and accrued liabilities	**7,103**	(24,682)
Related party loans	**54,591**	270,572
Net cash provided by operating activities	**15,012**	330,265
Investing activities		
Expenditures on exploration and evaluation assets (net of recovery)	**(15,701)**	(74,404)
Proceeds from sale of short-term investments	**14,690**	-
Purchase of short-term investments	**(14,835)**	-
Net cash used in investing activities	**(15,846)**	(74,404)
Financing activities		
Repayment of loans	**(16,665)**	(204,172)
Optioning of mineral properties	**-**	(45,000)
Net cash used in financing activities	**(16,665)**	(249,172)
Net change in cash	**(17,499)**	6,689
(Bank indebtedness), beginning of period	**19,244**	(25,785)
Cash (bank indebtedness), end of period	**$ 1,745**	$ (19,096)

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

Frontline Gold Corporation

Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency
(Expressed in thousands of Canadian Dollars)
Unaudited

	Common shares without par value #	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 9)	-	-	-	128,333	-	128,333
Net loss for the period	-	-	-	-	71,851	71,851
Balance, June 30, 2017	**140,463,361**	**$ 13,593,633**	**$ (73,548)**	**$ 1,756,268**	**$ (16,965,727)**	**$ (1,689,374)**
Balance, December 31, 2017	**140,463,361**	**$ 13,593,633**	**$ (73,548)**	**$ 1,692,102**	**$ (17,040,859)**	**$ (1,828,672)**
Net loss for the period	-	-	-	-	(43,214)	(43,214)
Balance, June 30, 2018	**140,463,361**	**$ 13,593,633**	**$ (73,548)**	**$ 1,692,102**	**$ (17,084,073)**	**$ (1,871,886)**

The accompanying notes to the unaudited condensed consolidated interim 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 unaudited condensed consolidated interim 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 June 30, 2018 has a working capital deficiency of $2,441,017 (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 unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including International Accounting Standard 34 Interim Financial Reporting (“IAS 34”). The accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with the accounting policies disclosed in the Company’s December 31, 2017 annual consolidated financial statements. These unaudited condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s December 31, 2017 year end consolidated financial statements. These unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 29, 2018.

(Expressed in thousands of Canadian Dollars, except as otherwise indicated)

2. Basis of Preparation (Continued)

(b) New Accounting Standard Adopted

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.

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.

(Expressed in thousands of Canadian Dollars, except as otherwise indicated)

2. Basis of Preparation (Continued)

(c) Accounting Standards Issued but not yet Effective

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, with earlier adoption permitted.

3. 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.

4. Short-term Investment

	Number of shares	Historical cost	Fair value June 30, 2018	Fair value December 31, 2017
Granite Creek Gold Ltd.	25,000	$ 2,000	**$ 1,250**	$ 1,250
Pacton Gold Inc.	7,250	6,131	**4,568**	2,900
		$ 8,131	**$ 5,818**	$ 4,150

(Expressed in thousands of Canadian Dollars, except as otherwise indicated)

5. 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	Write-down	Option proceeds received	As at June 30, 2018
Niaouleni Gold Project	$ 33,424	$ -	$ -	$ -	$ -	**$ 33,424**
Red Lake - Birch Lake	24,500	-	-	-	-	**24,500**
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**
Other Ontario Property	28,990	-	1,277	-	-	**30,267**
	$ 549,949	$ 10,500	$ 5,201	$ -	$ -	**$ 565,650**

	As at December 31, 2016	Acquisition costs	Exploration expenditures	Write-down	Option proceeds received	As at June 30, 2017
Niaouleni Gold Project	$ -	$ -	$ 25,500	$ -	$ -	$ 25,500
Red Lake - Birch Lake	52,113	-	-	-	-	52,113
Chukuni Property	18,900	15,000	10,700	-	-	44,600
Whitehorse Property	2,112	-	-	-	-	2,112
Rainy River Property	33,000	5,000	1,500	-	-	39,500
Kambertepe Property	167,018	-	-	-	-	167,018
Keban Property	200,517	-	-	-	-	200,517
Giresun Property	21,000	-	-	-	-	21,000
Other Ontario Property	6,000	-	16,703	-	-	22,703
	$ 500,660	$ 20,000	$ 54,403	$ -	$ -	$ 575,063

<u>Niaouleni Gold Project</u>

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.

During 2014, the Company entered into 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.

5. Exploration and Evaluation Assets (Continued)

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"):

On May 17, 2017 the Company executed an 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 June 2017.

Terms of the Option Agreement

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.

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

During 2015, 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.

5. Exploration and Evaluation Assets (Continued)

Rainy River Property

During 2015, the Company had acquired 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.

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.

(Expressed in thousands of Canadian Dollars, except as otherwise indicated)

5. Exploration and Evaluation Assets (Continued)

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.

6. Equipment

Cost	December 31, 2016	Additions	December 31, 2017	Additions	June 30, 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	June 30, 2018
Furniture and equipment	$ 3,769	249	$ 4,018	$ 100	**$ 4,118**
Computer hardware	33,805	1,303	35,108	456	**35,564**
	$ 37,574	$ 1,552	$ 39,126	$ 556	**$ 39,682**

Carrying amounts	December 31, 2017	June 30, 2018
Furniture and equipment	$ 997	**$ 897**
Computer hardware	3,040	**2,584**
	$ 4,037	**$ 3,481**

7. Loans Payable

On April 27, 2016 the Company received $250,000 in an unsecured loan from two non-arm's length investors. On June 27, 2016 the Company received an additional $200,000 from these 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 June 30, 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.

8. 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 June 30, 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 $280,522 (December 31, 2017 - $266,328); and $469,057 (December 31, 2017 - $428,660) owing to the President and Chief Executive Officer.

Share-based payments during the three and six months ended June 30, 2018 include $nil to related parties (three and six months ended June 30, 2017 - $56,547 and $113,095, respectively).

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

(Expressed in thousands of Canadian Dollars, except as otherwise indicated)

9. Share Capital

Authorized

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

Issued during 2018 and 2017

None issued during the periods ended June 30, 2018 and 2017.

Share Purchase Warrants

There were no changes in warrants during the periods ended June 30, 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.

The change in stock options during the periods ended June 30, 2018 and 2017 is as follows:

	Number of options	Weighted average exercise price
At December 31, 2016, June 30, 2017, December 31, 2017 and June 30, 2018	1,050,000	$ 0.05

The following table summarizes information about options outstanding as at June 30, 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	3.24	$ 0.05
	10,500,000	**10,500,000**	**3.49**	**$ 0.05**

10. 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 June 30, 2018, the Company has a working capital deficiency of $2,441,017 (December 31, 2017 - $2,382,658) to settle current liabilities of $2,463,347 (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 5 - 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 June 30, 2018, the Company had $263,360 in accounts payable denominated in US dollars and converted to Canadian dollars, and $16,450 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.

11. Segment Reporting

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