

**ELY GOLD ROYALTIES INC.**  
*(formerly Ely Gold & Minerals Inc.)*  
**(An Exploration Stage Company)**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**

**FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017**

**(Unaudited)**

**Notice to Reader**

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

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

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

**ELY GOLD ROYALTIES INC.***(formerly Ely Gold & Minerals Inc.)***CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian Dollars)

(Unaudited)

As at	Notes	June 30, 2018	December 31, 2017
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 2,002,658	\$ 2,393,322
Marketable securities	4	1,366,184	1,419,193
Receivables	5	86,166	72,466
Prepaid expenses	10	120,096	47,376
		3,575,104	3,932,357
<b>Non-Current</b>			
Reclamation bond		28,858	60,662
Mineral and royalty interests	6	1,396,834	1,632,714
		\$ 5,000,796	\$ 5,625,733
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	7 & 10	\$ 180,057	\$ 470,999
Note Payable	8	173,150	705,906
		353,207	1,176,905
<b>Non-Current</b>			
Note payable	8	-	160,944
		353,207	1,337,849
<b>EQUITY</b>			
Share capital	9	27,394,481	26,917,261
Share-based payment reserve	9	941,659	1,186,671
Deficit		(23,688,551)	(23,816,048)
		4,647,589	4,287,884
		\$ 5,000,796	\$ 5,625,733

Approved and authorized by the Board:

<u>“Ronald Husband”</u>	Director	<u>“Stephen Kenwood”</u>	Director
Ronald Husband		Stephen Kenwood	

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

**ELY GOLD ROYALTIES INC.***(formerly Ely Gold & Minerals Inc.)***CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**

(Expressed in Canadian Dollars)

(Unaudited)

	Notes	Three months ended		Six months ended	
		2018	2017	2018	2017
<b>REVENUE</b>					
Option proceeds	6c	\$ 242,200	\$ 15,114	\$ 354,651	\$ 15,114
<b>EXPENSES</b>					
Consulting fees	10	151,568	115,185	315,191	241,878
Exploration and evaluation expenses		19,974	36,759	70,086	47,488
Insurance		3,761	8,142	12,035	15,341
Office and administration		59,915	73,431	75,666	114,612
Professional fees		58,135	72,004	84,814	93,047
Rent		6,750	6,750	13,500	14,050
Share-based payments	9c	2,454	54,196	22,208	54,196
Transfer agent and filing fees		7,488	3,134	14,985	10,774
Travel and promotion		152,129	4,206	283,909	24,996
		(462,174)	(373,807)	(892,394)	(616,382)
<b>OTHER INCOME (EXPENSE)</b>					
Interest expense	8	(4,113)	(6,934)	(12,909)	(13,713)
Interest income		31	30	62	61
Gain on disposal of exploration and evaluation asset	6c	-	-	351,324	658,602
Gain on disposal of marketable securities	4	-	-	60,225	-
Change in fair value of marketable securities	4	236,938	-	170,117	-
(Loss) gain on foreign exchange		50,908	68,275	96,421	80,460
		283,764	61,371	665,240	725,410
<b>Income and comprehensive income for the period</b>		\$ 63,790	\$ (297,322)	\$ 127,497	\$ 124,142
<b>Basic and diluted income per share</b>		\$ 0.00	\$ (0.00)	\$ 0.00	\$ 0.00
<b>Weighted average number of common shares outstanding</b>		78,198,332	75,756,574	77,132,823	75,757,132

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

**ELY GOLD ROYALTIES INC.***(formerly Ely Gold & Minerals Inc.)***CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in Canadian Dollars)

(Unaudited)

For the six months ended June 30,	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income for the period	\$ 127,497	\$ 124,142
Items not affecting cash:		
Interest expense	12,909	13,713
Option proceeds	(184,783)	-
Change in fair value of marketable securities	(170,117)	-
Gain on disposal of marketable securities	(60,225)	-
Gain on disposal of exploration and evaluation asset	(351,324)	(658,602)
Share-based payments	22,208	54,196
Unrealized foreign exchange	(17,620)	-
Changes in non-cash working capital items:		
Receivables	18,104	(10,510)
Prepaid expenses	(72,720)	(17,001)
Accounts payable and accrued liabilities	(290,942)	(327,581)
Net cash used in operating activities	(967,013)	(821,643)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation expenditures, net of recoveries	(21,260)	(542,971)
Proceeds received from properties under option	207,273	-
Proceeds on disposal of marketable securities	529,408	-
Proceeds on disposal of exploration and evaluation asset	379,410	261,882
Net cash (used in) provided by investing activities	1,094,831	(281,089)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of loans payable	(728,482)	-
Proceeds received from the exercise of warrants	210,000	-
Net cash provided by financing activities	(518,482)	-
Change in cash and cash equivalents for the period	(390,664)	(1,102,732)
Cash and cash equivalents, beginning of period	2,393,322	4,366,614
Cash and cash equivalents, end of period	\$ 2,002,658	\$ 3,263,882
<b>Cash and cash equivalents consists of:</b>		
Cash	\$ 1,977,658	\$ 3,238,882
Term deposit	25,000	25,000
	\$ 2,002,658	\$ 3,263,882

**Supplemental disclosure with respect to cash flows (Note 12)**

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

**ELY GOLD ROYALTIES INC.***(formerly Ely Gold & Minerals Inc.)***CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(Expressed in Canadian Dollars)

(Unaudited)

	Note	Number of shares	Share capital	Share-based payment reserve	Other Comprehensive Income	Deficit	Total
Balance, December 31, 2016		75,755,475	\$ 26,882,761	\$ 1,092,326	\$ -	\$ (22,376,032)	5,599,055
Shares issued for mineral and royalty interests	6	300,000	34,500	-	-	-	34,500
Expired options	9c	-	-	(142,159)	-	142,159	-
Share-based payments	9c	-	-	54,196	-	-	54,196
Warrants issued for mineral and royalty interests	6 & 9d	-	-	73,337	-	-	73,337
Change in fair value of marketable securities	4	-	-	-	(244,805)	-	(244,805)
Net income for the period		-	-	-	-	124,142	124,142
Balance, June 30, 2017		76,055,475	26,917,261	1,077,700	(244,805)	(22,109,731)	5,640,425
Share-based payments	9c	-	-	172,500	-	-	172,500
Expired options	9c	-	-	(63,529)	-	63,529	-
Change in fair value of marketable securities	4	-	-	-	244,805	-	244,805
Net loss for the period		-	-	-	-	(1,769,846)	(1,769,846)
Balance, December 31, 2017		76,055,475	\$ 26,917,261	\$ 1,186,671	\$ -	\$ (23,816,048)	4,287,884
Exercised warrants	9c	3,000,000	210,000	-	-	-	210,000
Share-payments allocated to share capital on exercise of warrants	9c	-	267,220	(267,220)	-	-	-
Share-based payments	9c	-	-	22,208	-	-	22,208
Net income for the period		-	-	-	-	127,497	127,497
Balance, June 30, 2018		79,055,475	\$ 27,394,481	\$ 941,659	\$ -	\$ (23,688,551)	4,647,589

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

**ELY GOLD ROYALTIES INC.**

*(formerly Ely Gold & Minerals Inc.)*

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 and 2017

(Expressed in Canadian Dollars)

(Unaudited)

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**1. NATURE OF AND CONTINUANCE OF OPERATIONS**

Ely Gold Royalties Inc. (the “Company” or “Ely”) was incorporated under the *Business Corporations Act* (Alberta) on May 10, 1996. The Company was continued into British Columbia in 2002 where it is now domiciled and governed by the *Business Corporations Act* (British Columbia). Since 2016 the Company’s principal business activity has been that of acquiring and consolidating mineral claims with the intention to option or sell the properties outright while retaining a royalty interest. The Company is listed on the TSX Venture Exchange (“TSX-V”), having the symbol ELY.

On November 22, 2017, the Company changed its name from Ely Gold & Minerals Inc. to Ely Gold Royalties Inc.

The Company’s registered office is Suite 2833 – 595 Burrard St, P.O. Box 49195, Vancouver, British Columbia, Canada, V7X 1J1.

The recovery of the amounts comprising exploration and evaluation assets is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their exploration and development, and upon future profitable production.

These condensed interim consolidated financial statements have been prepared by management on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred ongoing losses. A number of alternatives, including, but not limited to, selling an interest in one or more of its properties or completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due.

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on August 27, 2018.

**2. BASIS OF PREPARATION AND CONSOLIDATION**

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

The accounting policies applied in preparation of these condensed interim consolidated financial statements are the same as those applied in the most recent annual consolidated financial statements and were consistently applied to all the periods presented with the exception of IFRS 9 and IFRS 15 discussed below.

These condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All dollar amounts presented are in Canadian dollars, the Company’s functional currency, unless otherwise specified.

These condensed interim consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company’s wholly owned subsidiaries include, DHI Minerals Ltd. (“DHI”) (a Canadian corporation), DHI Minerals (US) Ltd. (“DHI US”) (a Nevada corporation), Voyageur Gold Inc. (“Voyageur”) (a Canadian corporation) and Nevada Select Royalty, Inc. (“Nevada Select”).

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**2. BASIS OF PREPARATION AND CONSOLIDATION (cont'd...)**

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Company.

**Adoption of new accounting policies**

The following accounting standards have been adopted as at January 1, 2018 in accordance with the transitional provisions outlined in the respective standards.

*IFRS 15 - Revenue from contracts with customers*

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. As of January 1, 2018, the Company has adopted IFRS 15 and has concluded that, based on its current operations, the adoption of IFRS 15 had no significant impact on the Company's financial statements.

The following is the accounting policy for revenue recognition under IFRS 15:

*Revenue recognition*

Revenue from contracts with customers be recognized upon the use by others of the Company's assets yielding royalties or option proceeds. The recognition of revenue upon the use by others is consistent with our revenue recognition policy as set out in Note 3 of the Company's Annual Financial Statements.

*IFRS 9 - Financial Instruments*

The final version of IFRS 9, Financial Instruments, was issued in July 2014 to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. Classification is determined at initial recognition in one of the following categories: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or at amortized cost. In addition, the standard amended some of the requirements of IFRS 7, Financial Instruments: Disclosures, including the requirement for added disclosures about investments in equity instruments measured at FVOCI and guidance on financial liabilities and derecognition of financial instruments. The Company adopted the standard on January 1, 2018. Retrospective application was required, but there was no requirement to restate comparative periods disclosed.

The Company has assessed the classification and measurement of its financial assets and financial liabilities under IFRS 9 and have summarized the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 in the following table:

	Measurement Categories	
	IAS 39	IFRS 9
Cash and cash equivalents	Amortized cost	Amortized cost
Marketable securities	HFT	FVTPL
Receivables	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Note payable	Amortized cost	Amortized cost

The Company has elected to irrevocably designate on transition its investment in marketable securities as FVTPL as they are considered to be held for trading.



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**2. BASIS OF PREPARATION AND CONSOLIDATION (cont'd...)**

**Adoption of new accounting policies (cont'd...)**

The following is the new accounting policy for financial instruments under IFRS 9:

*Financial instruments*

The Company recognizes financial assets and liabilities on the balance sheet when the Company becomes party to the contractual provisions of the instrument.

*Cash and cash equivalent*

Cash and cash equivalent includes cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalent is classified and measured at amortized cost.

*Receivable and accounts payable and accrued liabilities*

Receivable and accounts payable and accrued liabilities are non-interest bearing and are initially measured at fair value, subsequently recorded at amortized cost which approximates fair value due to the short term to maturity. Receivable are classified as financial assets measured at amortized cost and accounts payable and accrued liabilities are classified as financial liabilities measured at amortized cost.

*Equity investments*

Equity investments in entities that are not subsidiaries, joint ventures or investments in associates are designated FVTPL unless they are irrevocably designated, on an individual basis, as FVOCI. These investments are measured at fair value on acquisition and at each reporting date. Any unrealized holding gains and losses related to long-term investments designated as FVOCI are excluded from the consolidated statement of loss and comprehensive loss and are included in other comprehensive income ("OCI"). Upon disposal, any accumulated gains and losses remain in equity.

*Debt*

The Company initially recognizes all financial liabilities at fair value and classifies them as subsequently measured at either FVTPL or amortized cost, as appropriate. For debt subsequently measured at amortized cost, the effective interest rate method is used. Debt required to be classified as FVTPL is measured at fair value on each financial period-end date with gains and losses flowing through the consolidated statement of loss and comprehensive loss. For debt that is optionally classified as FVTPL, the part of the fair value change related to the Company's own credit risk is recorded in OCI rather than the consolidated statement of loss and comprehensive loss.

*Impairment of financial assets*

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, management measure the loss allowance for the financial asset at an amount equal to twelve month expected credit losses.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

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**2. BASIS OF PREPARATION AND CONSOLIDATION (cont'd...)**

**Adoption of new accounting policies (cont'd...)**

*Derecognition of financial assets*

Financial assets are derecognized when the investments mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized within other non-operating income. Accumulated gains or losses on financial assets classified as FVOCI remain within accumulated other comprehensive income.

**New accounting standards issued but not yet effective**

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early-adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

*IFRS 16 Leases*

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*.

Applicable to the Company's annual period beginning on January 1, 2019.

**Use of estimates and judgments**

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and the reported revenues and expenses during the period. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

*Critical accounting estimates*

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

*Recovery of deferred tax assets*

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

*Share-based payments*

The fair value of share-based payments is subject to the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in certain assumptions. As the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices and expected forfeiture rate, changes in subjective input assumptions can materially affect the fair value estimate.

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**2. BASIS OF PREPARATION AND CONSOLIDATION (cont'd...)**

**Use of estimates and judgments (cont'd...)**

*Critical accounting estimates (cont'd...)*

*Impairment of mineral and royalty interests*

Assets or cash-generating units are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's mineral and royalty interests.

In respect of costs incurred for its mineral properties, management has determined that exploratory drilling, evaluation and related costs incurred, which have been capitalized, continue to be appropriately recorded on the consolidated statement of financial position at carrying value. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit, including geologic and metallurgic information, economic assessment/studies, accessible facilities and existing permits.

*Critical accounting judgments*

Management must make judgments given the various options available under IFRS for items included in the consolidated financial statements. Judgments involve a degree of uncertainty and could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual events differ from a judgment made. Critical judgments have been made by management in arriving at the three above noted critical estimates.

**3. CAPITAL MANAGEMENT**

The Company is an exploration stage company and this involves a high degree of risk. The Company has not determined whether its exploration and evaluation assets contain economically recoverable reserves of ore and currently has not earned any revenues from its exploration and evaluation assets, and therefore, does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of share capital and debt. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Company defines its capital as equity. Capital requirements are driven by the Company's exploration activities on its exploration and evaluation assets. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities.

The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

There have been no changes to the Company's approach to capital management during the six months ended June 30, 2018.

**ELY GOLD ROYALTIES INC.***(formerly Ely Gold & Minerals Inc.)***NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED JUNE 30, 2018 and 2017

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**4. MARKETABLE SECURITIES**

The Company's marketable securities comprise the following common shares. The fair value of the marketable securities has been determined directly by reference to published price quotations in an active market.

	June 30, 2018		December 31, 2017	
	Cost	Fair Value	Cost	Fair Value
<i>Gold Resource Corporation</i>				
104,811 (December 31, 2017 – 189,811) common shares	\$ 818,668	\$ 909,520	\$ 1,482,595	\$ 1,047,719
<i>Colorado Resource Ltd</i>				
800,000 (December 31, 2017 – 800,000) common shares	178,000	116,000	178,000	160,000
<i>Solitario Royalty &amp; Exploration Corp</i>				
119,352 (December 31, 2017 – 119,352) common shares	144,454	68,031	144,454	89,514
<i>Bitterroot Resources Ltd.</i>				
200,000 (December 31, 2017 – 200,000) common shares	30,000	6,000	30,000	28,000
<i>VR Resources Ltd.</i>				
100,000 (December 31, 2017 – 50,000) common shares	36,250	37,000	16,250	16,000
<i>Valterra Resource Corp.</i>				
5,254,420 (December 31, 2017 – 2,598,680) common shares	221,831	157,633	128,880	77,960
<i>Fremont Gold Ltd</i>				
500,000 (December 31, 2017 – nil) common shares	93,613	72,000	-	-
<b>Total</b>	<b>\$ 1,522,816</b>	<b>\$ 1,366,184</b>	<b>\$ 1,980,179</b>	<b>\$ 1,419,193</b>

During the six months ended June 30, 2018, the Company:

- acquired 50,000 common shares of VR Resources Ltd. ("VR Resources"), valued at \$20,000, as part of the consideration for the option of its Kraut claims to VR Resources (Note 6(c)).
- acquired 200,000 common shares of Fremont Gold Ltd ("Fremont"), valued at \$32,000, as part of the consideration for the option of its North Carlin mineral property to Fremont (Note 6(c)).
- acquired 300,000 common shares of Fremont valued at \$61,613, as part of the consideration for the option of its Hurricane project to Fremont.
- acquired 2,655,740 common shares of Valterra Resource Corp. ("Valterra"), valued at \$92,951, as part of the consideration for the option of its Weepah project to Valterra (Note 6(c)).
- disposed of 85,000 common shares of Gold Resource Corp ("Gold Resource") for net proceeds of \$529,408 and realized a gain of \$60,225. The cost basis on these shares was \$6.53

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**4. MARKETABLE SECURITIES (cont'd...)**

During the year ended December 31, 2017, the Company acquired:

- (f) 59,642 common shares of Gold Resource, valued at \$396,720, as part of the consideration for the sale of its Isabella mineral property to Gold Resource (Note 6(c)).
- (g) 800,000 common shares of Colorado Resources Ltd. ("Colorado"), valued at \$178,000, as part of the consideration for the option of its Green Springs mineral property to Colorado (Note 6(a)).
- (h) 200,000 common shares of Bitterroot Resources Ltd. ("Bitterroot"), valued at \$30,000, as part of the consideration for the option of its Hackberry North Project to Bitterroot (Note 6(c)).
- (i) 50,000 common shares of VR Resources, valued at \$16,250, as part of the consideration for the option of its New Boston project to VR Resources (Note 6(c)).
- (j) 2,598,680 common shares of Valterra, valued at \$128,880, as part of the consideration for the option of its Weepah project to Valterra (Note 6(c)).

During the three and six months ended June 30, 2018, the Company recorded a gain in the change in fair value on marketable securities of \$236,938 and \$170,117 (2017 - \$Nil and \$Nil), respectively. These amounts have been recognized in the statement of income and comprehensive income.

**5. RECEIVABLES**

The Company's receivables are as follows:

	June 30, 2018	December 31, 2017
Sales taxes receivable	\$ 86,166	\$ 72,466

**6. MINERAL AND ROYALTY INTERESTS**

	Green Springs (a)	Cox Claims (b)	Nevada Select Properties (c)	Total
Balance, December 31, 2016	\$ 434,848	\$ 69,618	\$ 667,256	\$ 1,171,722
Acquisition costs	-	-	1,036,329	1,036,329
Option payments received	(406,190)	-	(100,659)	(506,849)
Disposition	-	-	(68,488)	(68,488)
Balance, December 31, 2017	28,658	69,618	1,534,438	1,632,714
Acquisition costs	-	-	21,260	21,260
Option payments received	-	-	(229,054)	(229,054)
Disposition	-	-	(28,086)	(28,086)
Balance, June 30, 2018	\$ 28,658	\$ 69,618	\$ 1,298,558	\$ 1,396,834

**ELY GOLD ROYALTIES INC.**

*(formerly Ely Gold & Minerals Inc.)*

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(Unaudited)

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**6. MINERAL AND ROYALTY INTERESTS (cont'd...)**

(a) Green Springs

On February 4, 2013, the Company acquired the Green Springs property in White Pine County, Nevada, for US\$300,000 (paid) and \$50,000 (paid) cash. The Green Springs property is subject to a 2% net smelter return (“NSR”) royalty.

On July 7, 2014, the Company entered into an exploration and Option Agreement (the “EMX Agreement”) with Eurasian Minerals Inc. (“EMX”) for the Cathedral Well gold project consisting of 79 unpatented mining claims (the “Cathedral Well Claims”), which surround the Company’s Green Springs claims. Pursuant to the Option Agreement, the Company can earn a 100% interest in the Cathedral Well Project by paying EMX a total of \$100,000 as follows:

- US\$25,000 upon signing (paid)
- US\$25,000 on the first anniversary (paid)
- US\$25,000 on the second anniversary (paid)
- US\$25,000 on the third anniversary. (paid)

Eurasian will retain a 2.5% NSR royalty, inclusive of an underlying 0.5% NSR royalty. In addition, after earning the 100% interest in the Cathedral Well Project, the Company will pay Eurasian annual advance royalties equal to 20 ounces of gold each year beginning in year four of the Option Agreement. After completion of a feasibility study of the Cathedral Well Project and/or the adjacent Company properties, the annual payment will increase to 35 ounces of gold each year thereafter until commencement of commercial production from either, or both, of the Cathedral Well Project and the adjacent Company properties. The Company may purchase 0.5% of the Eurasian NSR royalty by paying Eurasian 500 ounces of gold within 60 days after commencement of commercial production from either, or both, of the Cathedral Well Project and the adjacent Company properties. However, Eurasian will not retain any royalty on the Company’s existing Green Springs project.

In November 2016, the Company and EMX amended the EMX Agreement whereby the Company traded certain mining claims, owned by Nevada Select, (the “Gutsy Claims”) in lieu of the final payment of US\$25,000. The Company now owns 100% of the Cathedral Well Claims.

On December 7, 2016, subject to TSX Venture Exchange approval, the Company entered into an option agreement with Colorado whereby Colorado can acquire a 100% interest in the Company’s Green Springs project. Colorado can acquire their 100% interest by making cash payments of US\$3,000,000 and issuing 2,250,000 Colorado common shares to the Company, as follows:

- At closing – US\$50,000 cash (received - \$65,865) and 300,000 Colorado common shares (received 300,000 Colorado common shares valued at \$78,000);
- Year 1 – US\$100,000 cash (received - \$129,860) and 500,000 Colorado common shares (received 500,000 Colorado common shares valued at \$100,000);
- Year 2 – US\$200,000 cash and 600,000 Colorado common shares;
- Year 3 – US\$400,000 cash and 850,000 Colorado common shares; and
- Year 4 – US\$2,250,000 cash (the “Final Option Payment”). Colorado may at its election make the final Option Payment 50% cash and 50% common shares based on a 30-day volume weighted average price of the Colorado common shares.

On May 10, 2018, Colorado terminated the option agreement with the Company.

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**6. MINERAL AND ROYALTY INTERESTS (cont'd...)**

(b) Cox Claims

On January 16, 2013, the Company acquired a mining lease and a purchase option on mining claims contiguous to the Green Springs property, known as the Cox Claims. The lease on the Cox Claims has a term of 10 years with escalating advance royalty payments and a purchase option to acquire 100% of the property. The AMR payments are payable as follows on each anniversary of the agreement:

- Upon signing, US\$7,500 (paid in 2013)
- January 16, 2014, US\$10,000 (paid in 2013)
- January 16, 2015, US\$12,000 (paid in 2014)
- January 16, 2016, US\$15,000 (paid in 2015)
- January 16, 2017, US\$15,000 (paid by Colorado)
- January 16, 2018, US\$15,000 (paid by Colorado)
- January 16, 2019, US\$20,000
- January 16, 2020 and on each subsequent anniversary, US \$25,000.

The Company has the option to purchase the claims for an amount equal to US\$200,000 less the aggregate of the annual AMR payments made prior to the date of exercising the purchase option. Upon exercise of the purchase option, title to the Cox Claims will be taken subject to annual AMR payments of US\$25,000 until commencement of commercial production, after which a 2% NSR will be payable, after recovery of the aggregate AMR's. The Company has the option to buy-down 1% of the NSR for US\$500,000.

In connection with the acquisition of the Cox Claims, the Company entered into an Agency Agreement with Urawest Energy LLC ("Urawest") to compensate Urawest for its involvement in the acquisition of the Cox Claims. Under the terms of the Agency Agreement, the Company will make total aggregate payments of US\$47,500 to Urawest, payable in annual instalments over the 10 year term of the Cox Claims lease:

- Upon signing, US\$2,500 (paid in 2013)
- January 16, 2014, US\$2,500 (paid in 2014)
- January 16, 2015, US\$2,500 (paid in 2015)
- January 16, 2016 (paid in 2016)
- January 16, 2017 (paid in 2017 by Colorado)
- January 16, 2018 to January 16, 2023, US\$5,000 each year.

In the event the Company exercises the purchase option to acquire 100% of the Cox Claims, any unpaid fees to Urawest as at the date of exercise shall be paid in full. Upon commencement of commercial production from the Cox Claims, the Company shall pay Urawest a 0.25% NSR and a US\$2,500 annual AMR payment (the "Urawest Agreement"). Urawest also negotiated a side agreement with Cox for an additional 0.25% NSR on the Cox Claims, to be deducted from Cox's 2% NSR (the "Cox Side Agreement"). Urawest, subsequently changed its name to Nevada Eagle and as part of the acquisition of the Nevada Eagle Properties, the Company was assigned the Urawest Agreement and the Cox Side Agreement.

On December 7, 2016, the Cox Claims were included as part of the option agreement with Colorado whereby Colorado can acquire 100% of the Green Springs project and the Cox Claims by making the cash payments and share issuances as noted in Note 8(a). Under the option agreement, Colorado must maintain the Cox Claims in good standing during the option period by making the annual AMR payments and the annual payments to Urawest as per the above schedule of payments. On May 10, 2018, Colorado terminated the option agreement with the Company.

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**6. MINERAL AND ROYALTY INTERESTS (cont'd...)**

(c) Nevada Select Properties

Nevada Select is the Company's 100% owned U.S. subsidiary that owns title to over 76 mineral properties with 16 of these properties under option agreements with third parties.

On January 6, 2017, the Company executed an agreement for the sale of its 100% owned Isabella property to Walker Lane Minerals Corporation, a wholly subsidiary of Gold Resource, for US\$460,000. The Company will retain a NSR (the "Isabella NSR") of 2.5%. Gold Resource has the option to buy-down 0.5% of the Isabella NSR for US\$500,000. The Isabella NSR includes an area of interest (the "Isabella AOI") on claims not already held by Gold Resource in their Isabella Pearl property package. The Isabella AOI royalty will be 2%, of which Gold Resource can buy-down 1% for US\$1,000,000. The total purchase is payable to the Company as follows:

- US\$100,000 cash (received - \$134,483);
- US\$60,000 cash (received - \$80,689) as a one-time AMR payment; and
- US\$300,000 (received; \$396,720) in Gold Resource restricted common stock, which equated to 59,642 shares (received).

As a result of the Company selling the Isabella property, the Company removed the carrying value of \$68,488 and realized a gain on disposition of \$590,114, which is included in the statement of income and comprehensive income.

On January 20, 2017, the Company closed the transaction with Bitterroot whereby Bitterroot can acquire a 100% interest in the Company's Hackberry North Project by making cash payments of US\$150,000 and issuing 600,000 Bitterroot common shares to the Company, as follows:

- At closing - US\$20,000 cash (received; \$25,972) and 200,000 Bitterroot common shares valued at \$30,000 (received);
- Year 1 - US\$30,000 cash and 100,000 Bitterroot common shares;
- Year 2 - US\$50,000 cash and 100,000 Bitterroot common shares;
- Year 3 - US\$50,000 cash and 200,000 Bitterroot common shares.

The Company will retain a 3% NSR on precious metals, a 2% NSR on all other products sold and a 0.5% NSR on unpatented lands which Bitterroot acquires within a 2.66-mile radius of the property. On the first three anniversaries of the option exercise, Bitterroot will pay AMR payments of US\$10,000 per year. On each of the fourth through 10th anniversaries, Bitterroot will pay AMR payments of US\$15,000 per year.

On February 17, 2017, the Company sold its 100% interest in the Bald Peak Project to Radius Gold Inc. ("Radius") for total proceeds of US\$35,115 (received - \$46,710). The Company issued, to Radius, a Deed with Reservation of Royalty to Radius that provides for:

- a 3% NSR on certain claims of the Bald Peak Project;
- a 1% NSR on certain claims of the Bald Peak Project;
- an area of interest of two miles;
- an annual AMR payment of US\$25,000 beginning on the date an exploration permit is issued;
- Radius may buy-down 1% of the 3% NSR for US\$1,000,000.



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**6. MINERAL AND ROYALTY INTERESTS (cont'd...)**

(c) Nevada Select Properties (cont'd...)

On May 17, 2017, the Company entered into a definitive option agreement with 1082223 BC Ltd (“1082 BC”) whereby 1082 BC can acquire a 100% interest in the Cimarron project by making US\$250,000 in option payments to the Company, as follows:

- Initial payment – US\$10,000 (received; \$12,986)
- US\$15,000 six months after the closing date (received; \$19,479)
- US\$25,000 one year after the closing date (received; \$31,953)
- US\$25,000 two years after the closing date
- US\$25,000 three years after the closing date
- US\$150,000 four years after the closing date (the “Cimarron Final Option Payment”)

If the Cimarron Final Option Payment is made the Company will retain a 2.5% NSR on the Cimarron claims. On the first three anniversaries of the option exercise, 1082 BC will pay AMR payments of US\$15,000 per year. On the fourth anniversary and every year after, 1082 BC will pay AMR payments of US\$25,000 per year. On May 17, 2017, 1082 BC assigned its interest in the Cimarron project to Ridgestone Mining Inc.

On May 26, 2017, the Company entered into definitive option agreements with Pyramid Gold (US) Corp (“Pyramid Gold”) whereby Pyramid Gold can acquire a 100% interest in the Redlich, Moho and Olympic projects (“RMO”) by making US\$600,000 in combined option payments to the Company, as follows:

- Initial payment – US\$22,000 (received; \$28,569)
- US\$33,000 six months after the closing date (received; \$42,854)
- US\$70,000 one year after the closing date (received; \$89,468)
- US\$75,000 two years after the closing date
- US\$75,000 three years after the closing date
- US\$325,000 four years after the closing date (the “RMO Final Option Payments”)

If the RMO Final Option Payments are made the Company will retain a 2.5% NSR on the Redlich, Moho and Olympic claims. On the first three anniversaries of the option exercise, Pyramid Gold will pay combined AMR payments of US\$30,000 per year on the Redlich and Moho projects. On the fourth anniversary and every year after, Pyramid Gold will pay combined AMR payments of US\$50,000 per year. On the Redlich and Moho projects. Pyramid Gold will have the right to buy-down 1% of the NSR on each of the Redlich and Moho projects for an aggregate purchase price of US\$1,000,000 per project. On February 7, 2018 Pyramid assigned the option agreements for Moho and Redlich to Hochschild Mining PLC.

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**6. MINERAL AND ROYALTY INTERESTS (cont'd...)**

(c) Nevada Select Properties (cont'd...)

On June 23, 2017, the Company closed the transaction with Platoro West Incorporated (“Platoro West”) whereby the Company acquired Platoro West’s portfolio of 14 mineral properties in Nevada, a portfolio of 8 deeded royalties, and legal and beneficial rights to geological information covering precious metals properties throughout the western United States. Under the terms of the agreement, the company will pay Platoro West US\$500,000 as follows:

- US\$25,000 upon signing (paid - \$34,280);
- US\$225,000 upon closing (paid - \$298,158);
- US\$125,000 cash on the first anniversary together with 5% per annum interest compounded quarterly from the date of closing (paid - \$160,629);
- US\$125,000 cash on the second anniversary together with 5% per annum interest compounded quarterly from the date of closing.

The Company also issued 1,000,000 shares purchase warrants to Platoro West with a fair value of \$73,337, which is included in acquisition costs. Each share purchase warrant is exercisable to purchase one common share of the Company for \$0.125 for a period of three years from the date of closing (Note 9(d)).

On June 29, 2017, the Company closed a transaction with Eastfield Resources Ltd (“Eastfield”) whereby the Company will acquire an interest in 18 patented claims located in Nevada for \$50,000 cash (paid) and by issuing 300,000 common shares (issued with a fair value of \$34,500) of the Company to Eastfield.

During the year ended December 31, 2017, the Company completed the acquisition of 6 patented mining claims and the related historical data for US\$50,000.

On July 10, 2017, the Company closed the option of the Weepah project with Valterra Resource Corp (“Valterra”) whereby Valterra can acquire 100% of the Weepah project by making the following option payments to the Company:

- At closing – US\$100,000 cash or through the issuance of Valterra common shares (received 2,598,680 Valterra common shares valued at \$128,880);
- Year 1 – US\$100,000 cash or through the issuance of Valterra common shares (received 2,655,740 Valterra common shares valued at \$92,951);
- Year 2 – US\$200,000 cash;
- Year 3 – US\$200,000 cash; and
- Year 4 – US\$400,000 cash (the (“Final Option Payment”))

If the Final Option Payment is made the Company will retain a 3% NSR on ten unpatented claims and one patented claim. Valterra will have the right to buy-down 1% of the underlying royalty on these claims for US\$1,000,000. Sixty-six unpatented claims are subject to a 2% NSR to a third party and Ely Gold will retain a 1% NSR on those claims.

Valterra will pay the Company AMR payments as follows:

- US\$25,000 on the first through third anniversary dates of the Final Option Payment;
- US\$25,000 on each anniversary date of the Final Option Payment thereafter.

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**6. MINERAL AND ROYALTY INTERESTS (cont'd...)**

(c) Nevada Select Properties (cont'd...)

On September 8, 2017, the Company acquired four deeded royalties and one leased property for US\$40,000 from Wolfpack Gold (Nevada) Corp. The Company must pay AMR on the acquired leased property as follows:

- Years 1-9 US\$10,000;
- Years 10-14 US\$12,500;
- Years 15-19 US\$15,000; and
- Years 20+ US\$20,000.

On September 10, 2017, the Company closed the sale of the New Boston project with VR Resources whereby VR Resources can acquire 100% of the New Boston project by making the following payments:

- At closing – US\$10,000 (received - \$12,986) and 50,000 shares of VR Resources valued at \$16,250 (received);
- An additional 50,000 shares of VR Resources if VR Resources completes a diamond drill program. (received);

If a drill program is not completed by VR Resources within 18 months of closing, the property and any new exploration data will be returned to the Company. The Company was granted a 2% NSR on closing, subject to VR Resources' right to buy down one half of the royalty for US\$500,000 per 0.5%.

On September 13, 2017, the Company closed the option of the Gold Bar project with Fremont Gold Ltd. ("Fremont") whereby Fremont can acquire 100% of the Gold Bar project by making US\$1,000,000 in option payments to the Company, as follows

- At closing – US\$10,000 (received - \$12,986)
- US\$40,000 six months after the closing date (received - \$50,588)
- US\$100,000 one year after the closing date
- US\$100,000 two years after the closing date
- US\$100,000 three years after the closing date
- US\$200,000 four years after the closing date
- US\$400,000 four years after the closing date (the "Gold Bar Final Option Payment")

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**6. MINERAL AND ROYALTY INTERESTS (cont'd...)**

(c) Nevada Select Properties (cont'd...)

If the Gold Bar Final Option Payment is made the Company will retain a 2% NSR. Fremont will have the right to buy-down 1% of the underlying royalty on these key claims for US\$5,000,000.

Fremont is also required to pay the Company AMR payments as follows:

- US\$25,000 on the first through third anniversary dates of the Gold Bar Final Option Payment;
- US\$35,000 on each anniversary date of the Final Option Payment thereafter.

On January 16, 2018, the Company entered into a definitive option agreement with Intermont Exploration, LLC, a wholly owned subsidiary of Fremont whereby Fremont can acquire 100% interest in the Gold Canyon project by making US\$802,500 in option payments to the Company, as follows:

- Initial payment – US\$15,000 (received)
- US\$37,500 six months after the closing date (received)
- US\$150,000 one year after the closing date
- US\$112,500 two years after the closing date
- US\$112,500 three years after the closing date
- US\$112,500 four years after the closing date
- US\$300,000 five years after the closing date (the “Gold Canyon Final Option Payment”)

If the Gold Bar Final Option Payment is made the Company will retain a 2% NSR on the Gold Canyon claims and a 1% NSR on any acquired or staked additional claims located within a one-mile area of interest. Fremont will have the right to buy-down 1% of the underlying royalties on all the claims for US\$3,000,000.

Fremont is also required to pay the Company AMR payments as follows:

- US\$25,000 on the first through third anniversary dates of the Gold Canyon Final Option Payment;
- US\$35,000 on the fourth anniversary date of the Gold Canyon Final Option Payment and on each anniversary thereafter.

On February 20, 2018, the Company entered into a definitive option agreement with Intermont Exploration, LLC, a wholly owned subsidiary of Fremont whereby Fremont can acquire a 100% interest in the North Carlin project by making US\$267,500 in option payments to the Company, as follows:

- Initial payment – US\$5,000 (received) and 200,000 Fremont shares (received; \$32,000)
- US\$12,500 six months after the closing date
- US\$25,000 one year after the closing date
- US\$37,500 two years after the closing date
- US\$37,500 three years after the closing date
- US\$50,500 four years after the closing date
- US\$100,000 five years after the closing date (the “North Carlin Final Option Payment”)

If the North Carlin Final Option Payment is made the Company will retain a 2% NSR on the North Carlin claims. There is no area of interest associated with the North Carlin claims and Fremont will have the right to buy-down 1% of the NSR for US\$3,000,000.

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**6. MINERAL AND ROYALTY INTERESTS (cont'd...)**

(c) Nevada Select Properties (cont'd...)

Fremont is also required to pay the Company AMR payments as follows:

- US\$25,000 on the first through third anniversary dates of the Gold Canyon Final Option Payment;
- US\$35,000 on the fourth anniversary date of the Gold Canyon Final Option Payment and on each anniversary thereafter.

On March 12, 2018, the Company entered into a definitive purchase agreement with Gold Resource whereby Gold Resource has acquired a 100% interest in the County Line project for total consideration to the Company of US\$300,000 (received \$379,410). The Company will retain a 3% NSR on the County line claims. There is a one-mile area of interest associated with the NSR. Gold Resource will have the right to buy-down 1% of the NSR for an aggregate purchase price of US\$1,000,000. As a result of the Company selling the County Line property, the Company removed the carrying value of \$28,086 and realized a gain on disposition of \$351,324, which is included in the statement of income and comprehensive income.

On March 28, 2018, the Company entered into a definitive option agreement with Monitor Gold Corporation (“Monitor”), a wholly owned subsidiary of Orla Mining Ltd. whereby Monitor has the option to acquire a 100% interest in four unpatented mining claims (the “Monitor Claims”) by making US\$677,000 in option payments to the Company, as follows:

- Initial payment – US\$2,000 (received)
- US\$5,000 one year after the closing date
- US\$10,000 two years after the closing date
- US\$15,000 three years after the closing date
- US\$20,000 four years after the closing date
- US\$25,000 five years after the closing date
- US\$50,000 six thru nine years after the closing date
- US\$400,000 ten years after the closing date (the “Monitor Final Option Payment”)

If the Monitor Final Option Payment is made the Company will retain a 2.5% NSR on the Monitor Claims. There is no area of interest associated with the Monitor Claims and Monitor will have the right to buy-down 1% of the NSR for an aggregate purchase price of US\$1,000,000.

On May 3, 2018, the Company closed the sale of the Kraut claim with VR Resources whereby VR Resources will acquire 100% of the Kraut claims by making the following payments:

- At closing – US\$10,000 (received) and 50,000 shares (received; \$20,000) of VR Resources
- An additional US\$50,000 and 50,000 shares of VR Resources once an initial drill program commences on the Kraut claims.

The Company will retain a 2% NSR on the Kraut claims. VR Resources will have the right to buy down 1% of the royalty for US\$500,000 per 0.5% for a maximum of US\$1,000,000.

During the six months ended June 30, 2018 the Company staked additional claims for total costs of \$21,260, which is included in mineral and royalty interests.

During the six months ended June 30, 2018, the Company received total net proceeds from option payments and disposition of mineral interests of \$935,029, of which \$229,054 is included in mineral and royalty interests, and \$354,651 and \$351,324 is included in the statements of income and comprehensive income as option proceeds and gain on disposition of exploration and evaluation assets, respectively.

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**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities comprise the following:

	June 30, 2018	December 31, 2017
Trade payables	\$ 132,801	\$ 156,478
Accrued liabilities	19,000	32,500
Due to related parties	28,256	282,021
Total	\$ 180,057	\$ 470,999

**8. NOTES PAYABLE**

On May 4, 2016, the Company issued a promissory note (the "Note") in the amount of US\$400,000 in connection with the acquisition of certain Nevada Select Properties (Note 6(c)). The Note accrues interest at 5% per annum, compounding every three months from the date of issuance and is due on May 4, 2018 with early settlement permitted without penalty. The note payable is secured by the interest in certain of the Company's mining claims.

On April 25, 2018, the Company repaid the principal and accrued interest of the Note for a total cash outlay of \$567,853.

As at June 30, 2018, the carrying value of the Note is \$Nil (December 31, 2017 - \$544,962 (US\$434,406)), which includes accrued interest of \$Nil (December 31, 2017 - \$43,162 (US\$34,406)). For the six months ended June 30, 2018, \$6,772 (US\$5,355) (2017 - \$6,779 (US\$5,096)) of interest is included in the statements of income and comprehensive income.

On June 23, 2017, the Company issued a promissory note in the amount of US\$250,000 (the "Platoro Note") in connection with the acquisition of the Platoro West Properties (Note 6(c)). The Platoro Note accrues interest at 5% per annum, compounding every three months from the date of issuance.

On January 2, 2018, the Company repaid the current portion of the Platoro Note (US\$125,000 in principle plus accrued interest of US\$3,329) for a total cash outlay of \$160,629.

As at June 30, 2018, the carrying value of the remaining portion of the Platoro Note is \$173,150 (US\$131,493) (December 31, 2017 - \$321,888 (US\$256,587)), which includes accrued interest of \$8,550 (December 31, 2017 - \$8,263). For the six months ended June 30, 2018, \$4,154 (US\$3,250) (2017 - \$nil) of interest is included in the statement of income and comprehensive income. The remaining balance of the Platoro Note is due no later than June 23, 2019.

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**9. SHARE CAPITAL AND RESERVES**

## (a) Authorized share capital

As at June 30, 2018 and December 31, 2017, the authorized share capital of the Company is an unlimited number of common shares without par value.

## (b) Issued share capital

On April 26, 2018, the Company issued 3,000,000 common shares upon the exercise of warrants for total proceeds of \$210,000.

On June 29, 2017, the Company issued 300,000 common shares with a fair of \$34,500 for the acquisition of mineral properties (Note 6(c)).

## (c) Stock options

The Company has an incentive stock option plan (the “Plan”) in place under which it is authorized to grant options to directors and employees to acquire up to 10% of the Company’s issued and outstanding common shares. In addition, the aggregate number of shares reserved for issuance to any one person shall not exceed 5% of the issued and outstanding shares (2% if the participant is a consultant). Under the Plan, the exercise price of each option may not be less than the market price of the Company’s share capital as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of 10 years and vesting periods are determined by the Board of Directors.

As at June 30, 2018 and December 31, 2017, the Company had outstanding stock options enabling the holders to acquire further common shares as follows:

Expiry Date	Exercise Price	June 30, 2018	December 31, 2017
February 15, 2019	\$ 0.10	250,000	-
January 5, 2021	\$ 0.06	500,000	500,000
September 22, 2021	\$ 0.06	850,000	850,000
January 30, 2023	\$ 0.14	250,000	250,000
January 28, 2024	\$ 0.12	600,000	600,000
November 27, 2024	\$ 0.06	550,000	550,000
March 11, 2026	\$ 0.09	250,000	250,000
August 18, 2026	\$ 0.15	1,200,000	1,200,000
June 19, 2027	\$ 0.125	500,000	500,000
November 22, 2027	\$ 0.10	1,725,000	1,725,000
February 15, 2028	\$ 0.10	200,000	-
<b>Total outstanding and exercisable</b>		<b>6,875,000</b>	<b>6,425,000</b>

The weighted average remaining contractual life for the outstanding options at June 30, 2018 is 6.74 (December 31, 2017 – 7.41) years.

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**9 SHARE CAPITAL AND RESERVES (cont'd...)**

## (c) Stock options (cont'd...)

Stock option transactions are summarized as follows:

	June 30, 2018		December 31, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	6,425,000	\$ 0.10	5,225,000	\$ 0.11
Granted	450,000	\$ 0.10	2,225,000	\$ 0.11
Expired	-	\$ -	(600,000)	\$ 0.12
Forfeited/cancelled	-	\$ -	(425,000)	\$ 0.12
Exercised	-	\$ -	-	\$ -
Options exercisable, end of period	6,875,000	\$ 0.10	6,425,000	\$ 0.10

On February 15, 2018, the Company granted incentive stock options to a consultant of the Company entitling them to purchase 250,000 common shares at a price of \$0.10 per share for a period of one year vesting 25% every three months from the date of grant and expiring February 15, 2019. The fair value of these options was calculated at \$6,171 using the Black-Scholes option pricing model. For the six months ended June 30, 2018, \$4,027 is included in the statement of income and comprehensive income as a share-based payment expense.

On February 15, 2018, the Company granted incentive stock options to a consultant of the Company entitling them to purchase 200,000 common shares at a price of \$0.10 per share for a period of ten years vesting 100% on the date of grant and expiring February 15, 2028. The fair value of these options was calculated at \$18,181 using the Black-Scholes option pricing model and is included in the statement of income and comprehensive income as a share-based payment expense.

On November 22, 2017, the Company granted incentive stock options to directors, consultants and an officer of the Company entitling them to purchase 1,725,000 common shares at a price of \$0.10 per share for a period of 10 years vesting 100% on the grant date and expiring November 22, 2027. The fair value of these options was calculated at \$172,500 using the Black-Scholes option pricing model.

On June 19, 2017, the Company granted incentive stock options to a director of the Company entitling them to purchase 500,000 common shares at a price of \$0.125 per share for a period of 10 years vesting 100% on the grant date and expiring June 19, 2027. The fair value of these options was calculated at \$54,196 using the Black-Scholes option pricing model.

During the six months ended June 30, 2017, 400,000 options expired unexercised and the relating fair value of \$142,159 was transferred from share-based payment reserve to deficit.



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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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**9. SHARE CAPITAL AND RESERVES (cont'd...)**

## (d) Warrants

As at June 30, 2018 and December 31, 2017, the following share purchase warrants were outstanding:

Expiry Date	Exercise Price	June 30, 2018	December 31, 2017
May 4, 2018	\$0.07	-	3,000,000
October 3, 2018	\$0.20	5,000,000	5,000,000
June 23, 2020	\$0.125	1,000,000	1,000,000

On June 23, 2017, the Company issued 1,000,000 share purchase warrants to acquire mineral properties. Each share purchase warrant is exercisable to purchase one common share of the Company for \$0.125 until June 23, 2020. The fair value of \$73,337 is included as acquisition costs in exploration and evaluation assets (Note 8(c)).

On May 4, 2016, the Company issued 3,000,000 share purchase warrants to acquire the mineral properties. Each share purchase warrant is exercisable to purchase one common share of the Company for \$0.07 until May 4, 2018. The fair value of \$267,219 is included as acquisition costs in exploration and evaluation assets. On April 26, 2018, these warrants were exercised for total proceeds of \$210,000 to the Company. Upon exercise, \$267,219 in share-based payment reserve was allocated to share capital

Share purchase warrant transactions are summarized as follows:

	June 30, 2018		December 31, 2017	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	9,000,000	\$ 0.147	8,000,000	\$ 0.15
Issued	-	\$ -	1,000,000	\$ 0.125
Exercised	(3,000,000)	\$ 0.07	-	\$ 0.000
Balance, end of period	6,000,000	\$ 0.147	9,000,000	\$ 0.147

The fair value of stock options and warrants are estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	June 30, 2018		December 31, 2017	
	Options	Warrants	Options	Warrants
Risk-free interest rate	2.03%	1.12%	1.83%	1.12%
Expected dividend yield	0.00	0.00	0.00	0.00
Expected stock price volatility	79.85%	99.79%	103.18	99.79%
Expected life in years	5	3	10	3
Weighted average fair value	\$0.05	\$0.07	\$0.10	\$0.07

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**9. SHARE CAPITAL AND RESERVES (cont'd...)**

## (d) Warrants (cont'd...)

The Company has estimated the forfeiture rate to be 0.00%. Expected volatility was determined based on the historical movements in the closing price of the Company's common shares for a length of time equivalent to the expected life of each option and warrant.

**10. RELATED PARTY TRANSACTIONS**

Key management comprises directors and executive officers. The Company did not pay post-employment benefits and long-term benefits to key management. The following compensation was paid to key management:

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Short-term employment benefits	\$ 84,710	\$ 78,245	\$ 163,179	\$ 156,365
<b>Total</b>	<b>\$ 84,710</b>	<b>\$ 78,245</b>	<b>\$ 163,179</b>	<b>\$ 156,365</b>

As at June 30, 2018, \$Nil (December 31, 2017 - \$287,675) is owing to directors and officers of the Company for management bonuses, which is included in accounts payable and accrued liabilities. A prepaid advance of \$23,625 (December 31, 2017 - \$nil) was made to an officer and director of the Company.

All other amounts due to related parties are payable on demand. Interest is not charged on outstanding balances.

The Company has in place termination clause agreements with three of the Company's officers and directors, whereby the officers and directors are entitled to a cumulative amount of \$319,296 in the event they are terminated without cause, or \$837,888 in the event there is a change of control.

**11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

For the six months ended June 30,	2018	2017
Significant non-cash investing activities consisted of:		
Marketable securities received for mineral claims	\$ 206,564	\$ 504,720

**12. SEGMENT INFORMATION**

The Company has one reportable operating segment, the acquisition and exploration of resource properties in one geographic location: the United States.

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**13. FINANCIAL INSTRUMENTS**

The Company categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate fair values. The fair value of financial assets and financial liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Financial assets and liabilities in Level 2 are valued using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data.

The carrying values of cash and cash equivalents, and marketable securities have been based on quoted market prices, a Level 1 measurement according to the fair value hierarchy. The carrying value of accounts payable and accrued liabilities approximates fair value, due to the short term to maturity of these financial instruments. The carrying value of notes payable approximates fair value as the notes bear market interest rates.

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

**(a) Credit risk**

Credit risk refers to the potential that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company manages credit risk, in respect of cash and cash equivalents, by placing its cash balances at major Canadian and American financial institutions.

Concentration of credit risk exists with respect to the Company's cash and cash equivalents, as all amounts are held at major Canadian and American financial institutions. The Company's concentration of credit risk and maximum exposure thereto is as follows:

	June 30, 2018	December 31, 2017
Cash and cash equivalents	\$ 2,002,658	\$ 2,393,322

**(b) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At June 30, 2018, the Company has cash and cash equivalents of \$2,002,658 (December 31, 2017 - \$2,393,322), current liabilities of \$353,207 (December 31, 2017 - \$1,176,905), non-current note payable of \$nil (December 31, 2017 - \$160,944) and working capital of \$3,221,897 (December 31, 2017 - \$2,755,452).

The amounts listed below are the remaining contractual maturities for financial liabilities held by the Company:

As at	June 30, 2018	December 31, 2017
Due Date		
0 – 90 days	\$ 180,057	\$ 631,943
90 – 365 days	173,150	544,962
More than 1 year	-	160,944
	\$ 353,207	\$ 1,337,849

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**13. FINANCIAL INSTRUMENTS (cont'd...)**

## (c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and equity price risk.

## (i) Interest rate risk

Interest rate risk consists of three components:

- (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.
- (c) Fluctuations in the interest rates impact the value of cash equivalents. As at June 30, 2018, the impact of interest rates on the Company is not deemed significant. The Company's other liabilities are not exposed to interest rate risk, as they are carried at amortized cost.

## (ii) Foreign currency risk

The Company incurs expenditures in Canada and the US. Foreign currency risk arises because the amount of the US dollar cash, intercompany balances and payables will vary in Canadian dollar terms due to changes in exchange rates.

The Company incurs expenditures in Canada and the US. Foreign currency risk arises because the amount of the US dollar cash, intercompany balances and payables will vary in Canadian dollar terms due to changes in exchange rates. The Company has not hedged its exposure to currency fluctuations.

At June 30, 2018 and December 31, 2017, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

		June 30, 2018		December 31, 2017
Cash and cash equivalents	US\$	1,274,997	US\$	1,422,889
Accounts payable and accrued liabilities		(89,337)		(279,606)
Note payable		(125,000)		(650,000)
Interest payable		(6,493)		(40,993)
<b>Net</b>	<b>US\$</b>	<b>1,054,167</b>	<b>US\$</b>	<b>452,290</b>
Canadian dollar equivalent		\$ 1,388,128		\$ 567,398

Based on the above net exposures as at June 30, 2018, a 5% (2017 - 5%) change in the Canadian/US exchange rate would impact the Company's income (loss) and comprehensive income (loss) by approximately \$69,000 (December 31, 2017 - \$28,000).

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**13. FINANCIAL INSTRUMENTS (cont'd...)**

## (c) Market risk (cont'd...)

## (iii) Equity price risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's available-for-sale investments consisting of common shares are exposed to significant equity price risk due to the potentially volatile and speculative nature of the businesses in which the investments are held.

## (iv) Fair value hierarchy

The following tables summarize the Company's financial instruments under the fair value hierarchy, as at June 30, 2018 and December 31, 2017:

June 30, 2018	Level 1	Level 2	Level 3	Total
<b>FVTPL</b>				
Cash and cash equivalents	\$ 2,002,658	\$ -	\$ -	\$ 2,002,658
Note payable	\$ -	\$ 173,150	\$ -	\$ 173,150
<b>Available-for-sale</b>				
Marketable securities	\$ 1,366,184	\$ -	\$ -	\$ 1,366,184
December 31, 2017	Level 1	Level 2	Level 3	Total
<b>FVTPL</b>				
Cash and cash equivalents	\$ 2,393,322	\$ -	\$ -	\$ 2,393,322
Note payable	\$ -	\$ 866,850	\$ -	\$ 866,850
<b>Available-for-sale</b>				
Marketable securities	\$ 1,419,193	\$ -	\$ -	\$ 1,419,193

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**14. EVENTS AFTER THE REPORTING PERIOD**

- (a) On August 8, 2018, the Company entered into a definitive option agreement with Pyramid Gold whereby Pyramid Gold can acquire a 100% interest in the Stateline project by making US\$100,000 in combined option payments to the Company, as follows:

- Initial payment – US\$5,000
- US\$5,000 six months after the effective date
- US\$15,000 one year after the effective date
- US\$25,000 two years after the effective date
- US\$25,000 three years after the effective date
- US\$25,000 four years after the effective date (the “Stateline Final Option Payment”)

If the Stateline Final Option Payment is made the Company will retain a 2% NSR on the Stateline claims. There is a one-mile area of interest associated with the NSR.

Pyramid is also required to pay the Company AMR payments as follows:

- US\$15,000 on the first through third anniversary dates of the Stateline Final Option Payment;
- US\$25,000 on the fourth anniversary date of the Stateline Final Option Payment and on each anniversary thereafter.

Pyramid Gold may terminate the option agreement at any time without further liability for future option payments.