PINECREST RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Funds)

Years Ended December 31, 2018 and 2017

Independent auditor's report

To the Shareholders of Pinecrest Resources Ltd.

Our opinion

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

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2018 and 2017;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of loss and comprehensive loss (income) for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis for the year ended December 31, 2018.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mark Platt.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 25, 2019

Pinecrest Resources Ltd.
CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian Funds)
As at December 31

	Note		2018		2017
ASSETS					
Current assets					
Cash		$	**379,657**	$	901,456
Short-term investment	4		**721,436**		1,038,569
GST and other receivables			**2,651**		5,433
Prepaid expenses			**26,965**		25,478
			1,130,709		1,970,936
Non-current assets					
Property and equipment	5		**75,987**		70,797
Exploration and evaluation assets	6		**14,024,993**		12,581,924
		$	**15,231,689**	$	14,623,657
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Trade and other payables		$	**62,794**	$	55,232
Non-current liability					
Provision for bonus payment	6		**112,457**		112,457
			175,251		167,689
Shareholders' equity					
Share capital			**11,681,023**		11,681,023
Share-based payments reserve			**1,738,250**		1,541,344
Warrants reserve			**2,460,252**		2,460,252
Accumulated other comprehensive income			**3,402,724**		2,482,198
Accumulated deficit			**(4,225,812)**		(3,708,850)
			15,056,438		14,455,968
		$	**15,231,689**	$	14,623,657

On behalf of the Audit Committee:

"Douglas Forster" Director *"Edward Farrauto"* Director

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

Pinecrest Resources Ltd.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Funds)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Common shares												
	Number		Amount		Share-based payments reserve		Warrants reserves		Accum. other comprehensive income		Accum. deficit		Total
Balance – January 1, 2018	62,566,547	$	11,681,023	$	1,541,344	$	2,460,252	$	2,482,198	$	(3,708,850)	$	14,455,968
Share-based compensation	-		-		196,906		-		-		-		196,906
Foreign currency translation	-		-		-		-		920,526		-		920,526
Net loss for the year	-		-		-		-		-		(516,962)		(516,962)
Balance – December 31, 2018	**62,566,547**	**$**	**11,681,023**	**$**	**1,738,250**	**$**	**2,460,252**	**$**	**3,402,724**	**$**	**(4,225,812)**	**$**	**15,056,438**

	Common shares												
	Number		Amount		Share-based payments reserve		Warrants reserves		Accum. other comprehensive income (loss)		Accum. deficit		Total
Balance – January 1, 2017	54,916,547	$	10,063,165	$	828,143	$	2,466,622	$	3,222,259	$	(2,700,543)	$	13,879,647
Issued for cash *(Note 7(a))*	7,150,000		1,490,487		-		-		-		-		1,490,487
Issued on exercise of warrants *(Note 7(c))*	100,000		36,370		-		(6,370)		-		-		30,000
Issued on exercise of options *(Note 7(b))*	400,000		91,000		(33,000)		-		-		-		58,000
Share-based compensation	-		-		746,201		-		-		-		746,201
Foreign currency translation	-		-		-		-		(740,061)		-		(740,061)
Net loss for the year	-		-		-		-		-		(1,008,307)		(1,008,307)
Balance – December 31, 2017	62,566,547	$	11,681,023	$	1,541,344	$	2,460,252	$	2,482,198	$	(3,708,850)	$	14,455,968

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

Pinecrest Resources Ltd.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (INCOME)
(Expressed in Canadian Funds)
YEAR ENDED DECEMBER 31

		2018		2017
EXPENSES				
Accounting and audit fees	$	**33,384**	$	31,792
Amortization		**386**		245
Consultants		**18,354**		45,001
Foreign exchange loss (gain)		**(21,878)**		46,182
Insurance		**27,961**		25,984
Legal		**5,193**		6,307
Management fees		**178,445**		71,494
Office		**31,637**		35,567
Rent		**15,069**		16,272
Shareholder relations, marketing, and conferences		**28,566**		56,634
Share-based compensation		**178,785**		670,354
Transfer agent and regulatory fees		**13,743**		14,428
Travel		**19,837**		-
		529,484		1,020,259
OTHER INCOME				
Interest income		**(12,522)**		(11,953)
Net loss for the year	$	**516,962**	$	1,008,307
OTHER COMPREHENSIVE LOSS (INCOME)				
Items that will be reclassified subsequently to profit or loss:				
Foreign currency translation		**(920,526)**		740,061
Comprehensive loss (income) for the year	$	**(403,564)**	$	1,748,367
Loss per share – basic and diluted	$	**0.01**	$	0.02
Weighted average number of shares outstanding:				
Basic and fully diluted		**62,566,547**		60,284,492

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

Pinecrest Resources Ltd.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Funds)
YEAR ENDED DECEMBER 31

		2018		2017
CASH PROVIDED BY (USED IN):				
Cash flows from operating activities:				
Net loss for the year	$	**(516,962)**	$	(1,008,307)
Non-cash item:				
Amortization		**386**		245
Share-based compensation		**178,785**		670,354
Unrealized foreign exchange		**(45,083)**		37,300
Changes in non-cash working capital:				
Trade and other receivables		**2,783**		(3,828)
Prepaid expenses		**(1,488)**		(1,130)
Trade and other payables		**5,219**		(9,644)
		(376,360)		(315,008)
Cash flows from investing activities:				
Redemption of short-term investment		**317,133**		68,346
Exploration and evaluation costs		**(502,080)**		(423,976)
		(184,947)		(355,630)
Cash flows from financing activities:				
Proceeds from issuance of shares, net of share issue costs		**-**		1,490,488
Exercise of stock options		**-**		58,000
Exercise of share purchase warrants		**-**		30,000
		-		1,578,488
Effect of exchange rate on cash		**39,508**		(32,293)
Increase (decrease) in cash		**(521,799)**		875,556
Cash – beginning of year		**901,456**		25,899
Cash – end of year	$	**379,657**	$	901,456
Supplemental disclosure on non-cash investing activities:				
Stock-based compensation included in exploration and evaluation assets	$	**18,121**	$	75,847
Exploration and evaluation costs included in trade payables	$	**2,342**	$	10,076

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

1. NATURE OF OPERATIONS

Pinecrest Resources Ltd. and its subsidiary (collectively, "Pinecrest or the "Company") engage principally in the acquisition, advancement and development of precious mineral properties, particularly its Enchi Gold Project in Ghana. Pinecrest Resources Ltd., the parent, was incorporated pursuant to the provisions of the *Business Corporations* Act (British Columbia) on January 18, 2010. Pinecrest is a public company listed on the TSX Venture Exchange (the "Exchange") (TSX-V: PCR) and its head office is located at 413 – 595 Burrard Street, P.O. Box 49167, Vancouver, British Columbia, V7X 1J1.

The Board of Directors approved the consolidated annual financial statements for issue on April 25, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies followed in the preparation of these consolidated financial statements is as follows:

Statement of compliance

These consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

Basis of measurement

The financial statements have been prepared under the historical cost convention.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its subsidiary. The Company's sole subsidiary is as follows:

Entity Name	Property	Location	Ownership
Cape Coast Resources Limited	Enchi Gold Project	Ghana	100%

A subsidiary is an entity over which the Company has control. The Company controls an entity when the group is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date which control is transferred to us until the date that control ceases.

All intercompany transactions and balances have been eliminated on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Use of judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported years. Actual results could differ from those estimates. Significant areas where management judgment is applied in these financial statements include the impairment of exploration and evaluation assets and the valuation of options and warrants (which are based upon expected useful lives and other relevant assumptions).

Cash

Cash includes cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

Exploration and evaluation assets

Once a license to explore an area has been secured or an option agreement is signed and binding, expenditures on exploration and evaluation activities are capitalized to exploration and evaluation assets. Exploration expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential. Management reviews the exploration and evaluation assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. If the facts and circumstances suggest the carrying value exceeds the recoverable amount (where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use), the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statement of loss. Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to construction-in-progress within property, plant and equipment. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project, net of any impairment provisions, are written off.

Impairment of non-current assets

Non-current assets are evaluated at least annually by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit (CGU), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. An impairment loss is recognized in profit or loss to the extent that the carrying amount exceeds the recoverable amount.

In calculating recoverable amount, the Company uses discounted cash flow techniques to determine fair value when it is not possible to determine fair value either by quotes from an active market or a binding sales agreement. The determination of discounted cash flows is dependent on a number of factors, including future metal prices, the amount of reserves or resources, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures, and site closure, restoration and environmental rehabilitation costs. Additionally, the reviews take into account factors such as political, social and legal, and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount. The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

often require management to make estimates and assumptions concerning reserves and expected future production revenues and expenses.

Share-based payments

The Company grants stock options to certain directors and employees of the Company. Each tranche in an award is considered a separate award with its own vesting year and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting by increasing share-based payments reserve based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects. The Company records proceeds from the exercise of stock options and warrants as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration is recorded at an amount based on fair market value. The proceeds from the issue of units is allocated between common shares and common share purchase warrants on a pro-rata basis on a relative fair value basis, wherein, the fair value of the common shares is based on the market close on the date the units are issued; and the fair value of the common share purchase warrants is determined using the Black-Scholes pricing model.

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years. Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences do not result in deferred tax assets or liabilities: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Financial instruments

Financial assets

The Company classifies its financial assets into the following categories:

Held at amortized cost

Financial assets with fixed or determinable payments that are not quoted on an active market are held at amortized cost. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition such financial assets are measured at amortized cost using the effective interest method. This category includes cash and short-term investment.

Financial liabilities

Financial liabilities are classified into the following:

Held at amortized cost

This category includes trade and other payables, which are recognized at amortized cost using the effective interest method.

Currency translation

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates, known as the functional currency. The functional currency of Pinecrest Resources Ltd. (parent) and Cape Coast Resources Limited (subsidiary) is the Canadian dollar and US dollar respectively. The presentation currency of the consolidated financial statements is the Canadian dollar. The results and financial position of the subsidiary that has a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the period-end exchange rate;
- Income and expenses for each statement of income are translated at average exchange rates for the period; and
- All resulting exchange differences are recognized in Other Comprehensive Income as cumulative translation adjustment.

On consolidation, exchange differences arising from the translation of the net investment in the foreign entity are taken to Other Comprehensive Income as Foreign Currency Translation Reserve. When a foreign operation is sold or control is lost, such exchange differences are recognized in the consolidated statement of loss as part of the gain or loss on sale.

(Expressed in Canadian Funds)

3. NEWLY ADOPTED AND UPCOMING STANDARDS

IFRS 9, Financial Instruments ("IFRS 9"), addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes nine primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income ("OCI") and FVTPL. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated at FVTPL. The standard was adopted by the Company on January 1, 2018. The adoption of IFRS 9 did not have a significant measurement or disclosure impact on the Company's consolidated financial statements.

In January 2016, the IASB issued a new standard IFRS 16, *Leases* ("IFRS 16"). This standard is effective for annual periods beginning on or after January 1, 2019, and permits early adoption, provided IFRS 15, has been applied, or is applied at the same date as IFRS 16. IFRS 16 requires lessees to recognize assets and liabilities for most leases. The Company does not expect the adoption of IFRS 16 to have a material measurement or disclosure impact on its consolidated financial statements.

4. SHORT-TERM INVESTMENT

A guaranteed investment certificate ("GIC") with a principal value of $721,436 (2017 - $1,038,569) is held with a Canadian chartered bank as at December 31, 2018. The GIC is for a 1-year term, redeemable at any time without penalty, and earns an interest rate of 2.10% per annum.

5. PROPERTY AND EQUIPMENT

	Office equipment	Computer hardware	Land	Foreign exchange	Total
At January 1, 2017	$ 5,260	$ 618	$ 58,733	$ 11,472	$ 76,049
Amortization	(245)	-	-	-	(245)
Foreign exchange impact	-	-	-	(5,007)	(5,007)
At December 31, 2017	$ 5,015	$ 618	$ 58,733	$ 6,431	$ 70,797
Disposals	(4,629)	(618)	-	-	(5,247)
Amortization	(386)	-	-	-	(386)
Foreign exchange impact	-	-	-	10,823	10,823
At December 31, 2018	**$ -**	**$ -**	**$ 58,733**	**$ 17,254**	**$ 75,987**
At December 31, 2018					
Cost	$ 8,387	$ 5,357	$ 58,733	$ 11,425	$ 83,902
Foreign exchange impact	-	-	-	5,829	5,829
Accumulated depreciation	(8,387)	(5,357)	-	-	(13,744)
Net book value	**$ -**	**$ -**	**$ 58,733**	**$ 17,254**	**$ 75,987**

(Expressed in Canadian Funds)

6. EXPLORATION AND EVALUATION ASSETS

		2018		2017
Acquisition costs				
Balance, beginning of year	$	**8,356,926**	$	8,356,926
Balance, end of year	$	**8,356,926**	$	8,356,926
Exploration and evaluation costs				
Balance, beginning of year	$	**1,729,722**	$	1,228,062
Assays		**53,968**		18,380
Camp costs		**26,475**		18,260
Drilling		**236,652**		215,128
Geological		**95,045**		81,587
General and administration		**1,519**		834
Management fees		**-**		53,241
Mining permits and licenses		**1,974**		-
Salaries and wages		**31,754**		9,859
Share-based compensation		**17,507**		75,847
Vehicle rental		**57,846**		28,524
Balance, end of year	$	**2,252,462**	$	1,729,722
Foreign exchange impact		**3,415,605**		2,495,276
Total exploration and evaluation assets	$	**14,024,993**	$	12,581,924

Enchi Gold Project, Ghana

On December 4, 2014, the Company completed the acquisition of the Enchi Gold Project (the "Project") located in southwest Ghana from Red Back Mining Ghana Limited ("Red Back") and Edgewater Exploration Ltd. ("Edgewater") , a company with directors and officers in common. The Project was previously the subject of a joint venture between Red Back (49% interest) and Edgewater (51% interest).

Transaction Terms with Red Back Mining Ghana Limited

Pinecrest signed a definitive agreement with Red Back to acquire Red Back's 49% interest in the Project. In consideration for Red Back's interest in the Project, the Company:

- Issued 10,200,000 common shares to Red Back in 2014. The common shares were valued at $0.22 per share totaling $2,244,000 which has been classified as acquisition costs of the Project;

- Issued to Red Back in 2014 an aggregate of 5,000,000 share purchase warrants, which entitles Red Back to purchase up to 5,000,000 common shares of Pinecrest at a purchase price of $0.30 per share at any time prior to December 4, 2019 (Note 7c). The fair value of the warrants issued was $712,218 which has been classified as acquisition costs of the Project;

- Agreed to pay Red Back a 2% net smelter returns royalty (the "NSR") on production from the Project, with an option for Pinecrest to acquire 1% of the NSR at any time for US$3.5 million ("Royalty Buyback Right"). This Royalty Buyback Right was indirectly assigned to Sandstorm Gold Ltd.;

6. EXPLORATION AND EVALUATION ASSETS (cont'd.)

- Agreed to pay Red Back US$10 for each newly defined ounce of gold contained in any new NI 43-101 measured and indicated mineral resource estimate payable within 120 days from the date Red Back receives notice from Pinecrest of the completion by Pinecrest of a Feasibility Study or for any ounce of gold mined, whichever occurs first ("Bonus Payment"). Such amount shall be payable in cash or at Pinecrest's option, in common shares of Pinecrest provided that such issuance would not result in Red Back holding more than 20% of the issued and outstanding shares of Pinecrest. A fair value of $112,457 was assigned to the Bonus Payment as at the reporting date, which is classified as provision for bonus payment. This value was derived from management's estimate of future cash flows using the preliminary economic assessment report prepared by WSP Canada Inc.; and

- Agreed to pay an arm's length party a 2% royalty, up to a maximum amount of USD$500,000, on future production from one of the Enchi Project licenses.

Transaction Terms with Edgewater Exploration Ltd.

In 2014, Pinecrest signed a definitive agreement with Edgewater to acquire Edgewater's 51% interest in the Project, through the purchase of all of the shares of Edgewater's Ghanaian subsidiary, Cape Coast Resources Limited ("CCRL"), which holds the interest in the Project. In consideration for Edgewater's interest in the Project, the Company:

- Issued 20,938,887 common shares to Edgewater. The common shares were valued at $0.22 per share totaling $4,606,555 which has been classified as acquisition costs of the Project; and

- Paid to Edgewater a cash payment of $150,000. The cash payment was recorded as acquisition cost of the Project.

Government of Ghana's participation in mining lease

Where a mineral right is for mining or exploitation, the Government of Ghana is entitled to a 10% free carried interest in the rights and obligations of the mineral operations in respect of which financial contribution shall not be paid by the Government of Ghana. The Company presently holds prospecting licenses, which do not entitle the Government of Ghana to a 10% free carried interest.

(Expressed in Canadian Funds)

7. SHARE CAPITAL

The authorized share capital of the Company is comprised of an unlimited number of common shares without par value.

(a) Private Placement

During 2017, the Company completed a non-brokered private placement for gross proceeds of $1,501,500 by issuing 7,150,000 common shares. No finder's fees were paid in connection with the private placement. Total share issue costs associated with the financing amounted to $11,013.

(b) Stock Options

The maximum number of stock options that the Company may grant under its current Stock Option Plan is 10,000,000. As at December 31, 2018, the Company has 1,650,000 stock options available for grant. All stock options granted are subject to the following vesting schedule: 25% at grant date and 25% every six months thereafter.

During 2017, the Company granted 2,600,000 stock options at exercise prices ranging between $0.45 and $0.53 per share for a period of five years to directors, officers, and consultants of the Company. The fair value of the stock options granted has been estimated at the grant date using the Black-Scholes option pricing model with the following assumptions:

Range of stock prices on grant dates	$0.45 to $0.53
Weighted average risk-free interest rate	1.03%
Weighted average expected option life	5 years
Weighted average expected stock volatility	109.72%
Weighted average expected dividend yield	Nil

During 2017, 400,000 stock options with a weighted average exercise price of $0.15 per share were exercised by a former director of the Company for total proceeds of $58,000. The weighted average share price at the time of exercise was $0.28.

The total fair value of share-based compensation that vested during 2018 was $196,906 (2017 - $746,201) of which $178,785 (2017 - $670,354) was expensed and $18,121 (2017 - $75,847) was capitalized into exploration and evaluation assets.

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

Exercise price	January 1, 2018	Forfeited	**December 31, 2018**	Expiry date	Remaining contractual life in years	Number of options vested
$0.22	2,900,000	(100,000)	**2,800,000**	December 4, 2019	0.93	2,800,000
$0.10	2,600,000	(50,000)	**2,550,000**	December 21, 2020	1.98	2,550,000
$0.45	2,350,000	-	**2,350,000**	April 13, 2022	3.28	2,350,000
$0.53	250,000	-	**250,000**	May 24, 2022	3.40	250,000
	8,100,000	(150,000)	**7,950,000**			7,950,000
	$0.26	$0.18	**$0.26**	Weighted average exercise price		

(Expressed in Canadian Funds)

7. SHARE CAPITAL (cont'd.)

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

Exercise price	January 1, 2017	Granted	Expired	Exercised	December 31, 2017	Expiry date	Remaining contractual life in years	Number of options vested
$0.48	127,500	-	(127,500)	-	-	October 29, 2017	-	-
$0.22	3,050,000	-	-	(150,000)	2,900,000	December 4, 2019	1.93	2,900,000
$0.10	2,850,000	-	-	(250,000)	2,600,000	December 21, 2020	2.98	2,600,000
$0.45	-	2,350,000	-	-	2,350,000	April 13, 2022	4.28	1,175,000
$0.53	-	250,000	-	-	250,000	May 24, 2022	4.40	125,000
	6,027,500	2,600,000	(127,500)	(400,000)	8,100,000			6,800,000
	$0.17	$0.46	$0.48	$0.15	$0.26	Weighted average exercise price		

(c) Warrants

During 2017, a total of 100,000 share purchase warrants with an exercise price of $0.30 per share were exercised into common shares of the Company for gross proceeds of $30,000.

A summary of the Company's share purchase warrants as at December 31, 2018 is as follows:

Exercise price	January 1, 2018	**December 31, 2018**	Expiry date	Remaining contractual life in years
$0.30	5,000,000	**5,000,000**	December 4, 2019	0.93
$0.30	17,900,000	**17,900,000**	December 4, 2019	0.93
	22,900,0000	**22,900,000**		
	$0.30	**$0.30**	Weighted average exercise price	

A summary of the Company's share purchase warrants as at December 31, 2017 is as follows:

Exercise price	January 1, 2017	Exercised	December 31, 2017	Expiry date	Remaining contractual life in years
$0.30	5,000,000	-	5,000,000	December 4, 2019	1.93
$0.30	18,000,000	(100,000)	17,900,000	December 4, 2019	1.93
	23,000,0000	(100,000)	22,900,000		
	$0.30	$0.30	$0.30	Weighted average exercise price	

(Expressed in Canadian Funds)

8. RELATED PARTY TRANSACTIONS

(a) Trading transactions

The Company shares office space and administration costs with related parties in order to minimize operational costs. During 2018, the Company paid or accrued $15,069 (2017 - $16,272) for office rent to related companies.

The Company had a payable balance of $13,402 as at December 31, 2018 (2017 - $10,835). These payable amounts relate to expense reimbursements. All related party transactions were recorded at the amount agreed upon by the related parties. There are no ongoing contractual or other commitments resulting from the above transactions.

(b) Compensation of key management personnel

Key management personnel include directors and officers that provide management and consulting services to the Company. Remuneration of key management personnel during the year was as follows:

Related Party	Relationship		**2018**		2017
Gladstone Capital Ltd.	Chief Executive Officer	$	**106,445**	$	52,734
Pacific Court Capital Corp.	Chief Financial Officer	$	**36,000**	$	36,000
Sail View Capital Ltd.	Director	$	**36,000**	$	36,000

Management consulting agreements are on a month-to-month basis and can be terminated by either party with sixty days' notice. Share-based payments to key management personnel of the Company amounted to $159,464 (2017 - $646,677).

Key management remuneration is reflected in the financial statements as follows:

		2018		2017
Management fees	$	**178,445**	$	124,734
Share-based compensation		**159,464**		646,677
Total	$	**337,909**	$	771,411
Expensed in:				
General and administrative	$	**330,661**	$	687,054
Capitalized in:				
Exploration and evaluation assets		**7,248**		84,357
Total	$	**337,909**	$	771,411

9. CAPITAL MANAGEMENT

The Company's objectives in managing its capital resources are to safeguard the entity's ability to continue as a going concern and maximize returns to shareholders in the context of the market. The Company satisfies its capital requirements through careful management of its cash resources and by utilizing equity issues, as necessary, based on the prevailing economic conditions of both the industry and the capital markets and the underlying risk characteristics of the related assets. The Company's principal source of capital is from the issuance of common shares. To meet the objectives, management monitors the Company's ongoing capital requirements against net working capital and assesses additional capital requirements on a case-by-case basis. The Company is not subject to any externally imposed capital requirements. The capital structure of the Company consists of equity attributable to common shareholders comprising of issued capital, warrants reserve, share-based payments reserve, accumulated other comprehensive income, and accumulated deficit.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial Instruments by Category

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Other receivables and trade and other payables are the same as or approximately equal to their respective fair values due to their short-term maturity or capacity of prompt liquidation. The carrying values of financial assets and financial liabilities are approximately equal to their fair values.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company ensures there is sufficient capital to meet short-term business requirements. One of management's goals is to maintain an optimal level of liquidity through the active management of the Company's assets, liabilities, and cash flows. The Company's cash are held as cash deposits which are available on demand to fund the Company's short-term financial obligations.

(c) Credit Risk and Concentration Risk

The Company's credit risk is primarily attributable to its cash, short-term investments, and other receivables. The risk exposure is limited to their carrying values at the balance sheet date. Cash and short-term investments are held with counterparties that carry investment grade ratings as assessed by external rating agencies. The Company does not invest in asset-backed deposits or investments. Concentration risk exists in cash and short-term investments because significant balances are maintained with one financial institution. The risk is mitigated because the instruments are maintained with a large Canadian financial institution.

(d) Market Risks

The significant market risk to which the Company is exposed is interest rate risk. The Company's interest rate risk arises primarily from the interest earned on cash and short-term investments. Deposits are invested on a short-term basis to enable adequate liquidity for payment of operational and capital expenditures. The Company's short-term investments reflect funds invested in GIC's *(Note 3)*. Other financial assets and liabilities of the Company are not subject to interest rate risk since they do not bear interest.

(Expressed in Canadian Funds)

11. SEGMENTED INFORMATION

The Company's business is the acquisition, exploration, evaluation, and development of mineral resource properties, which is currently conducted principally in Ghana. The Company is in the exploration stage and accordingly, has no reportable segment revenues for any of the years presented in these consolidated financial statements.

		2018		2017
Assets by geographic segment, at cost				
Canada				
Total assets	$	**1,019,340**	$	1,909,569
Total liabilities	$	**159,626**	$	165,052
Net loss for the year	$	**503,674**	$	999,937
Ghana				
Total assets	$	**14,212,349**	$	12,714,088
Total liabilities	$	**15,625**	$	2,638
Net loss for the year	$	**13,288**	$	8,369

12. INCOME TAXES

The reconciliation of the income tax provision computed at statutory rates to the reported income tax provision for the years ended December 31 is as follows:

		2018		2017
Loss for the year before income taxes	$	**(516,962)**	$	(1,008,307)
Effective statutory rate		**27%**		26%
Expected income tax recovery	$	**(139,580)**	$	(262,160)
Non-deductible expenses		**48,544**		175,045
Effect of foreign exchange		**(26,359)**		434,598
Other items		**(94,376)**		(71,165)
Change in unrecognized tax benefit		**211,771**		(276,319)
	$	**-**	$	-

Deferred income tax assets and liabilities reflect the net effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's deferred income tax assets and liabilities as at December 31 are as follows:

		2018		2017
Deferred income tax assets not recognized:				
Non-capital loss carryforwards	$	**2,856,374**	$	2,636,029
Undeducted share issue costs		**1,784**		10,358
	$	**2,858,158**	$	2,646,387

13. INCOME TAXES (cont'd.)

The Company has non-capital losses in Canada of $2,360,507 (2017 - $1,996,279), which can be used to reduce taxable income between 2030 and 2038. . As at December 31, 2018, the Company's Ghanaian subsidiary has carry-forward exploration costs of GHS 22,657,483 (equivalent to $6.3 million) that can be used to reduce taxable income in future years. These exploration costs are amortized over a three-year period from the time the Company commences commercial production.