

**Golden Hope Mines Limited**  
**(An exploration stage company)**  
**Condensed Interim Financial Statements**  
**(Unaudited)**

*For the nine-month period ended September 30, 2017*

**MANAGEMENT'S COMMENTS ON UNAUDITED CONDENSED  
INTERIM FINANCIAL STATEMENTS**

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

The accompanying unaudited condensed 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 financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim condensed financial statements by an entity's auditor.

**Condensed Interim Financial Statements**

|                                                                  |          |
|------------------------------------------------------------------|----------|
| Condensed Interim Statements of Financial Position .....         | 3        |
| Condensed Interim Statements of Comprehensive loss .....         | 4        |
| Condensed Interim Statements of Cash Flows .....                 | 5        |
| Condensed Interim Statements of Changes in Equity .....          | 6        |
| <b>Notes to the Condensed Interim Financial Statements .....</b> | <b>7</b> |

**Golden Hope Mines Limited**  
(An exploration stage company)  
**Condensed Interim Statements of financial position**

|                                                   | September 30,<br>2017 | December 31,<br>2016 |
|---------------------------------------------------|-----------------------|----------------------|
|                                                   | \$                    | \$                   |
| <b>ASSETS</b>                                     |                       |                      |
| Current:                                          |                       |                      |
| Cash and cash equivalents                         | 205,346               | 566,536              |
| Sales tax receivable                              | 11,348                | 24,916               |
| Tax credits receivable                            | 5,395                 | 5,037                |
| Prepaid expenses                                  | 7,324                 | 17,048               |
| Other Assets                                      | 19,766                | 1,394                |
|                                                   | <b>249,179</b>        | <b>614,931</b>       |
| Non-current:                                      |                       |                      |
| Credits on duties receivable                      | 1,719                 | 4,794                |
| Property (Note 4)                                 | 56,540                | 56,223               |
| Exploration and evaluation assets (Note 5)        | 20,347,449            | 20,339,941           |
|                                                   | <b>20,405,708</b>     | <b>20,400,958</b>    |
| <b>Total assets</b>                               | <b>20,654,887</b>     | <b>21,015,889</b>    |
| <b>LIABILITIES</b>                                |                       |                      |
| Current liabilities:                              |                       |                      |
| Accounts payable and accrued liabilities (Note 6) | 200,243               | 222,294              |
| Non-current liabilities:                          |                       |                      |
| Deferred taxes                                    | 990,975               | 1,089,491            |
| <b>Total liabilities</b>                          | <b>1,191,218</b>      | <b>1,311,785</b>     |
| Shareholders' equity                              |                       |                      |
| Share capital (Note 7)                            | 28,193,333            | 28,171,348           |
| Warrants (Note 7)                                 | 446,665               | 536,048              |
| Contributed surplus (Note 7)                      | 6,661,419             | 6,572,491            |
| Deficit                                           | (15,837,748)          | (15,575,783)         |
| <b>Total shareholders' equity</b>                 | <b>19,463,669</b>     | <b>19,704,104</b>    |
| <b>Total liabilities and shareholders' equity</b> | <b>20,654,887</b>     | <b>21,015,889</b>    |

Going concern, related party transactions, commitments (Notes 3,8 and 9)

These financial statements were approved by the Company's board of directors on November 27, 2017.

*"Frank Candido"*

Frank Candido, Director

*"Michael Dehn"*

Michael Dehn, Director

The accompanying notes are an integral part of these financial statements

# Golden Hope Mines Limited

(An exploration stage company)

## Condensed Interim Statements of comprehensive loss

For the three-month and nine-month period ended September 30,

|                                                                   | Three-month period<br>ended September 30 |                | Nine-month period<br>ended September 30 |               |
|-------------------------------------------------------------------|------------------------------------------|----------------|-----------------------------------------|---------------|
|                                                                   | 2017                                     | 2016           | 2017                                    | 2016          |
|                                                                   | \$                                       | \$             | \$                                      | \$            |
| <b>Expenses</b>                                                   |                                          |                |                                         |               |
| Legal, financial and other corporate expenses                     | <b>61,186</b>                            | 129,025        | <b>186,054</b>                          | 223,774       |
| General administrative expenses                                   | <b>10,983</b>                            | 13,367         | <b>28,604</b>                           | 30,172        |
| Shareholders' information                                         | <b>3,282</b>                             | 16,253         | <b>23,736</b>                           | 31,954        |
| Management fees (Note 8)                                          | <b>30,000</b>                            | 35,000         | <b>95,000</b>                           | 35,000        |
| Share-based compensation                                          | -                                        | 93,655         | -                                       | 93,655        |
| Travel                                                            | <b>2,389</b>                             | 1,177          | <b>4,324</b>                            | 4,923         |
| Depreciation (Note 4)                                             | <b>468</b>                               | 325            | <b>1,233</b>                            | 966           |
|                                                                   | <b>108,308</b>                           | 288,802        | <b>338,951</b>                          | 420,444       |
| <br>(Loss) before income taxes                                    | <br><b>(108,308)</b>                     | <br>(288,802)  | <br><b>(338,951)</b>                    | <br>(420,444) |
| <br>Recovery of income taxes                                      | <br>                                     | <br>           | <br>                                    | <br>          |
| Deferred income tax                                               | <b>74,509</b>                            | -              | <b>76,986</b>                           | 13,513        |
| <br>Comprehensive (loss) income                                   | <br><b>(33,799)</b>                      | <br>(288,802)  | <br><b>(261,965)</b>                    | <br>(406,931) |
| <br>Basic and fully diluted loss per common share                 | <br><b>(0.002)</b>                       | <br>(0.027)    | <br><b>(0.02)</b>                       | <br>(0.047)   |
| <br>Weighted average number of common shares<br>during the period | <br><b>13,644,338</b>                    | <br>10,649,918 | <br><b>13,644,338</b>                   | <br>8,733,162 |

The accompanying notes are an integral part of these financial statements

# Golden Hope Mines Limited

(An exploration stage company)

## Condensed Interim Statements of cash flows

For the three-month and nine-month period ended September 30,

|                                                        | For the three-month<br>period ended<br>September 30 |           | For the nine-month<br>period ended<br>September 30 |           |
|--------------------------------------------------------|-----------------------------------------------------|-----------|----------------------------------------------------|-----------|
|                                                        | 2017                                                | 2016      | 2017                                               | 2016      |
|                                                        | \$                                                  | \$        | \$                                                 | \$        |
| <b>CASH PROVIDED BY (USED IN):</b>                     |                                                     |           |                                                    |           |
| <b>Operating activities:</b>                           |                                                     |           |                                                    |           |
| Comprehensive (loss) income                            | (33,799)                                            | (288,802) | (261,965)                                          | (406,931) |
| Adjustments for items not affecting cash               |                                                     |           |                                                    |           |
| Deferred income tax provision (recovery)               | (74,509)                                            | -         | (76,986)                                           | (13,513)  |
| Stock based compensation                               | -                                                   | 93,655    | -                                                  | 93,655    |
| Depreciation                                           | 468                                                 | 325       | 1,233                                              | 966       |
| Loss from operations activities                        | (107,840)                                           | (194,822) | (337,718)                                          | (325,823) |
| Net change in non-cash operating working capital items | 28,774                                              | (136,033) | (17,131)                                           | (53,559)  |
| Cash flows related to operating activities             | (79,066)                                            | (330,855) | (354,849)                                          | (379,382) |
| <b>Investing Activities:</b>                           |                                                     |           |                                                    |           |
| Receipt of mining tax credit                           | (86)                                                | -         | 7,925                                              | 13,412    |
| Property acquisition                                   | -                                                   | -         | (1,550)                                            | -         |
| Exploration and evaluation assets additions            | (584)                                               | 4,601     | (12,716)                                           | 665       |
| Cash flows related to investing activities             | (670)                                               | 4,601     | (6,341)                                            | 14,077    |
| <b>Financing Activities</b>                            |                                                     |           |                                                    |           |
| Cash inflow related to share capital                   | -                                                   | 1,051,744 | -                                                  | 1,051,744 |
| Share issue costs                                      | -                                                   | (42,238)  | -                                                  | (42,238)  |
| Cash flows related to financing activities             | -                                                   | 1,009,506 | -                                                  | 1,009,506 |
| Increase (decrease) in cash and cash equivalents       | (79,736)                                            | 683,252   | (361,190)                                          | 644,201   |
| Cash and cash equivalents, beginning of period         | 285,082                                             | 23,185    | 566,536                                            | 62,236    |
| Cash and cash equivalents, end of period               | 205,346                                             | 706,437   | 205,346                                            | 706,437   |

The accompanying notes are an integral part of these financial statements

# Golden Hope Mines Limited

(An exploration stage company)

## Condensed Interim Statements of changes in equity

For the three-month and nine-month period ended September 30,

|                                    | Common<br>Shares<br>(note 7) | Amount<br>\$<br>(note 7) | Warrants<br>\$<br>(note 7) | Contributed<br>Surplus<br>\$<br>(note 7) | Deficit<br>\$       | Total<br>\$       |
|------------------------------------|------------------------------|--------------------------|----------------------------|------------------------------------------|---------------------|-------------------|
| <b>Balance, January 1, 2017</b>    | <b>13,644,338</b>            | <b>28,171,348</b>        | <b>536,048</b>             | <b>6,572,491</b>                         | <b>(15,575,783)</b> | <b>19,704,104</b> |
| Share issue costs                  | -                            | 21,530                   | -                          | -                                        | -                   | 21,530            |
| Warrants                           | -                            | 455                      | (89,383)                   | 88,928                                   | -                   | -                 |
| Comprehensive loss                 | -                            | -                        | -                          | -                                        | (261,965)           | (261,965)         |
| <b>Balance, September 30, 2017</b> | <b>13,644,338</b>            | <b>28,193,333</b>        | <b>446,665</b>             | <b>6,661,419</b>                         | <b>(15,837,748)</b> | <b>19,463,669</b> |
| Balance, January 1, 2016           | 7,758,899                    | 27,599,937               | 98,517                     | 6,355,858                                | (14,970,007)        | 19,084,305        |
| Share Issuance                     | 5,789,999                    | 1,042,200                | -                          | -                                        | -                   | 1,042,200         |
| Share issued costs                 | -                            | (42,238)                 | -                          | -                                        | -                   | (42,238)          |
| Warrants exercised                 | 95,440                       | 19,133                   | (9,589)                    | -                                        | -                   | 9,544             |
| Options granted to brokers         | -                            | (33,970)                 | -                          | 33,970                                   | -                   | -                 |
| Options granted                    | -                            | -                        | -                          | 93,655                                   | -                   | 93,655            |
| Comprehensive loss                 | -                            | -                        | -                          | -                                        | (406,931)           | (406,931)         |
| <b>Balance, September 30, 2016</b> | <b>13,644,338</b>            | <b>28,585,062</b>        | <b>88,928</b>              | <b>6,483,483</b>                         | <b>(15,376,938)</b> | <b>19,780,535</b> |

The accompanying notes are an integral part of these financial statements

## **1. Nature of operations**

Golden Hope Mines Limited (the "Company") is a corporation continued under the Business Corporations Act (Ontario) incorporated on January 19, 1946. The Company's principal assets are mining properties and deferred exploration expenditures made on properties that are not in commercial production. The Company is in the process of exploring its mining properties and has not determined whether or not the properties contain economically recoverable resources. The address of the registered office is Unit 14 – 600 Orwell, Mississauga, Ontario, Canada, L5A 3R9.

The Company's shares are listed under the symbol GNH on the TSX Venture.

## **2. Basis of preparation**

### **Statement of Compliance**

The condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The same accounting policies and methods of computation were followed in the preparation of these condensed interim financial statements as were followed in the preparation of the financial statements for the year ended December 31, 2016 except for the new standards and interpretations effective January 1, 2017. These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements for the year ended December 31, 2016 which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board.

The Board of Directors approved these financial statements on November 27, 2017.

### **Basis of preparation**

These financial statements have been prepared on a going concern basis under the historical cost convention, unless specifically stated in the financial statements.

### **Functional and Presentation currency**

These financial statements are presented in Canadian Dollars because that is the currency of the primary economic environment in which the Company operates, and is the functional currency of the Company.

## **3. Going concern**

The Company has not yet determined whether its exploration and evaluation assets contain mineral deposits that are economically recoverable. The recoverability of exploration and evaluation assets is dependent on the discovery of economically recoverable reserves and resources; securing and maintaining title and beneficial interest in the properties; and the ability to obtain the financing required to complete exploration, evaluation, development and construction or the proceeds from the sale of such assets. Changes in future conditions could require material impairment of the carrying value of the exploration and evaluation assets.

The accompanying financial statements have been prepared using assumptions applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

Management is aware in making its assessment of material uncertainties related to events and conditions that lend a significant doubt on the Company's ability to continue as a going concern and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern, as described in the following paragraph. These financial statements do not reflect the adjustment to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary were the going concern assumption not appropriate. These adjustments could be material.

# Golden Hope Mines Limited

(An exploration stage company)

## Notes to financial statements

For the nine-month period ended September 30, 2017

### 3. Going concern– Cont'd

There are several adverse conditions that indicate the existence of a material uncertainty which may cast significant doubt about the soundness of the going concern assumption. The Company had recurring losses in prior years and has accumulated losses of \$15,837,748 since its inception and expects to incur further losses in the development of its business. Further, the business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. In addition to ongoing working capital requirements, the Company must secure sufficient funding for the exploration and evaluation programs and pay general and administrative costs. The Company's ability to continue as a going concern is dependent on being able to obtain the necessary financing to satisfy its liabilities as they become due. As at September 30, 2017, the Company has working capital of \$48,936.

There is a material uncertainty regarding the Company's ability to secure financing in the future or that these sources of funding will be available. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these financial statements.

Any funding shortfall may be met in the future in a number of ways, including but not limited to, the issuance of new debt or equity instruments, reduction in expenditures and/or the introduction of joint venture partners and/or business combinations on terms which are acceptable to the Company. Although the Company has been successful in the past at raising funds, there can be no assurance the Company will be able to secure financing in the future or that these sources of funding will be available.

### 4. Property

|                                  | Building | Land   | Computer | Total    |
|----------------------------------|----------|--------|----------|----------|
|                                  | \$       | \$     | \$       | \$       |
| <b>2017</b>                      |          |        |          |          |
| <b>Cost:</b>                     |          |        |          |          |
| Balance at January 1             | 41,712   | 25,351 | -        | 67,063   |
| Additions                        | -        | -      | 1,550    | 1,550    |
| Balance at September 30, 2017    | 41,712   | 25,351 | 1,550    | 68,613   |
| <b>Accumulated Depreciation:</b> |          |        |          |          |
| Balance at January 1             | (10,840) | -      | -        | (10,840) |
| Additions                        | (924)    | -      | (309)    | (1,233)  |
| Balance at September 30, 2017    | (11,764) | -      | (309)    | (12,073) |
| Net book value                   | 29,948   | 25,351 | 1,241    | 56,540   |

**Golden Hope Mines Limited**  
(An exploration stage company)  
**Notes to financial statements**  
For the nine-month period ended September 30, 2017

**4. Property – Cont'd**

|                                  | Building<br>\$ | Land<br>\$ | Total<br>\$ |
|----------------------------------|----------------|------------|-------------|
| <b>2016</b>                      |                |            |             |
| <b>Cost:</b>                     |                |            |             |
| Balance at January 1             | 41,712         | 25,351     | 67,063      |
| Balance at December 31, 2016     | 41,712         | 25,351     | 67,063      |
| <b>Accumulated Depreciation:</b> |                |            |             |
| Balance at January 1             | (9,550)        | -          | (9,550)     |
| Additions                        | (1,290)        | -          | (1,290)     |
| Balance at December 31, 2016     | (10,840)       | -          | (10,840)    |
| Net book value                   | 30,872         | 25,351     | 56,223      |

The building represents a warehouse at Ste-Justine, Quebec, for exploration site storage.

**5. Exploration and evaluation assets**

| 2017                                       | January 1, 2017<br>\$ | Additions<br>\$ | Rebiling<br>\$ | September 30, 2017<br>\$ |
|--------------------------------------------|-----------------------|-----------------|----------------|--------------------------|
| <b><i>Bellechasse Property, Quebec</i></b> |                       |                 |                |                          |
| Acquisition                                | 1,174,149             | -               | -              | 1,174,149                |
| Exploration                                | 20,365,478            | 27,597          | (14,881)       | 20,378,194               |
| Mining tax credit                          | (1,412,187)           | (5,208)         | -              | (1,417,395)              |
| <b><i>Julian Property, Quebec</i></b>      |                       |                 |                |                          |
| Acquisition                                | 212,501               | -               | -              | 212,501                  |
| Exploration                                | -                     | -               | -              | -                        |
| Mining tax credit                          | -                     | -               | -              | -                        |
|                                            | 20,339,941            | 22,389          | (14,881)       | 20,347,449               |

| 2016                                       | January 1, 2016<br>\$ | Additions<br>\$ | December 31, 2016<br>\$ |
|--------------------------------------------|-----------------------|-----------------|-------------------------|
| <b><i>Bellechasse Property, Quebec</i></b> |                       |                 |                         |
| Acquisition                                | 1,174,149             | -               | 1,174,149               |
| Exploration                                | 20,350,978            | 14,500          | 20,365,478              |
| Mining tax credit                          | (1,405,628)           | (6,559)         | (1,412,187)             |
| <b><i>Julian Property, Quebec</i></b>      |                       |                 |                         |
| Acquisition                                | 212,501               | -               | 212,501                 |
|                                            | 20,332,000            | (7,941)         | 20,339,941              |

The acquisition of mining properties was settled in cash unless otherwise specified.

## 5. Exploration and evaluation assets – Cont'd

### Bellechasse Property

On April 9, 2014, the Company signed a Definitive Option and Joint Venture Agreement (“DOJV”) with Uragold Bay Resources Inc. (“UBR”). The ultimate goal of the Agreement was the exploitation and operation as a going concern of a mine on the Bellechasse-Timmins gold deposit with each party holding a 50% undivided interest in the net proceeds stemming from the exploitation and operation of the deposit.

On March 21, 2017, the Company signed a new Memorandum Of Understanding with UBR (currently HPQ Silicon Resources Inc. (“HPQ”).

On May 15, 2017 the Company signed an option agreement with HPQ in relation to the commercial mining.

The option agreement replaced the DOJV which was terminated, HPQ withdrew a legal action and each party has released the other from any claim, right or obligation relating to the DOJV.

On July 17, 2017, HPQ decided to not proceed with the option agreement in relation to the Bellechasse-Timmins.

The property now consists of approximately 137 (2016 – 138) claims for a total of 4,989 (2016 – 5,036) hectares.

### Julian Property

On July 2, 2015, the Company acquired from Michael Dehn (a director of the Company) and two prospectors a 100% right, title and interest in 16 claims (861 hectares) located in the Bellechasse/Beauce Region of southeastern Quebec. Under the Agreement, the Company paid \$1,000 in cash and issued 500,000 of the Company’s common shares (valued at \$210,000 based on the price on September 17, 2015 when the shares were issued).

Although the Company has determined that it has title to its mining properties, it cannot control or completely protect itself against the risk of title disputes or challenges. Under rules established by the Ministère de l’Énergie et Ressources naturelles of the province of Québec, the Company spend all required amount to maintain the claims on the properties in 2017.

As of the date of issuance of the financial statements, no claims have expired.

## 6. Accounts payable and accrued liabilities

|               | <b>September 30,<br/>2017<br/>\$</b> | December 31,<br>2016<br>\$ |
|---------------|--------------------------------------|----------------------------|
| Trade payable | <b>166,863</b>                       | 184,463                    |
| Accruals      | <b>33,380</b>                        | 37,831                     |
|               | <b>200,243</b>                       | 222,294                    |

# Golden Hope Mines Limited

(An exploration stage company)

Notes to financial statements

For the nine-month period ended September 30, 2017

## 7. Share capital

Authorized: An unlimited number common shares, without par value:

Changes in Company capital share were as follows:

|                                                | September 30,<br>2017 |                   | December 31,<br>2016 |              |
|------------------------------------------------|-----------------------|-------------------|----------------------|--------------|
|                                                | Number                | Amount<br>\$      | Number               | Amount<br>\$ |
| <b>Balance, beginning of period</b>            | <b>13,644,338</b>     | <b>28,171,348</b> | 7,758,899            | 27,599,937   |
| Share issuance with warrants <sup>(1)(3)</sup> | -                     | -                 | 5,789,999            | 634,000      |
| Warrants exercised <sup>(2)</sup>              | -                     | -                 | 95,440               | 18,678       |
| Broker warrants                                | -                     | 455               | -                    | (38,465)     |
| Share issue costs                              | -                     | 21,530            | -                    | (42,802)     |
| <b>Balance, end of period</b>                  | <b>13,644,338</b>     | <b>28,193,333</b> | 13,644,338           | 28,171,348   |

- (1) On August 29, 2016, the Company issued 3,417,444 units at a price of \$0.18 per unit, for gross proceeds of \$615,140. Each unit consists of one common share and one share purchase warrant. Each warrant entitles its holder to purchase one common share of the Company at \$0.35 for a 24-month period.
- (2) On August 11, 2016, the Company received \$9,544 following the exercise of 95,440 warrants at \$0.10 each. This amount includes the carrying amount of options exercised amounting to \$9,134.
- (3) On July 28, 2016, the Company issued 2,372,555 units at a price of \$0.18 per unit, for gross proceeds of \$427,060. Each unit consists of one common share and one share purchase warrant. Each warrant entitles its holder to purchase one common share of the Company at \$0.35 for a 24-month period.

## Warrants issued and outstanding

Changes in share purchase warrants were as follows:

|                                     | September 30,<br>2017 |                                    | December 31,<br>2016  |                                    |
|-------------------------------------|-----------------------|------------------------------------|-----------------------|------------------------------------|
|                                     | Number of<br>warrants | Weighted Average<br>Exercise Price | Number of<br>warrants | Weighted Average<br>Exercise Price |
| <b>Balance, beginning of period</b> | <b>8,042,719</b>      | <b>0.32</b>                        | 2,159,440             | 0.24                               |
| Issued <sup>(1)(2)</sup>            | -                     | -                                  | 5,978,719             | 0.34                               |
| Exercised                           | -                     | -                                  | (95,440)              | 0.10                               |
| Expired unexercised                 | (2,064,000)           | 0.25                               | -                     | -                                  |
| <b>Balance, end of period</b>       | <b>5,978,719</b>      | <b>0.34</b>                        | 8,042,719             | 0.32                               |

# Golden Hope Mines Limited

(An exploration stage company)

## Notes to financial statements

For the nine-month period ended September 30, 2017

### 7. Share capital – Con'td

- (1) On August 29, 2016, the Company issued 3,417,444 warrants as part of the private placement on that day. Each warrant entitles its holder to purchase one common share of the Company at \$0.35. The fair value of the warrants was \$241,681, based on the Black-Scholes option pricing model with the following assumptions: average risk-free rate of 0.58%, average expected life of 24 months, expected volatility of 141% and no expected dividends. In connection with the private placement, the Company issued 101,120 purchase brokers warrants. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.18. The fair value of the warrants was \$21,224, based on the Black-Scholes option pricing model with the following assumptions: average risk-free rate of 0.58% average expected life of 24 months, expected volatility of 141% and no expected dividends.
- (2) On July 28, 2016, the Company issued 2,372,555 warrants as part of the private placement on that day. Each warrant entitles its holder to purchase one common share of the Company at \$0.35. The fair value of the warrants was \$166,519, based on the Black-Scholes option pricing model with the following assumptions: average risk-free rate of 0.58%, average expected life of 24 months, expected volatility of 141% and no expected dividends. In connection with the private placement, the Company issued 87,600 purchase brokers warrants. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.18. The fair value of the warrants was \$17,241, based on the Black-Scholes option pricing model with the following assumptions: average risk-free rate of 0.58% average expected life of 24 months, expected volatility of 141% and no expected dividends.

September 30, 2017, the following exercisable warrants were outstanding:

| Warrants  | Price | Expiry          |
|-----------|-------|-----------------|
| 2,372,555 | 0.35  | July 28, 2018   |
| 87,600    | 0.18  | July 28, 2018   |
| 3,417,444 | 0.35  | August 29, 2018 |
| 101,120   | 0.18  | August 29, 2018 |
| 5,978,719 | 0.34  |                 |

### Share-based compensation

Changes in the Company's stock options were as follows:

|                                 | September 30,<br>2017 |                                    | December 31,<br>2016 |                                    |
|---------------------------------|-----------------------|------------------------------------|----------------------|------------------------------------|
|                                 | Number of<br>options  | Weighted Average<br>Exercise Price | Number of<br>options | Weighted Average<br>Exercise Price |
| Balance, beginning of<br>period | 1,261,666             | 0.52                               | 542,833              | 1.13                               |
| Issued <sup>(1)(2)</sup>        | -                     | -                                  | 775,000              | 0.32                               |
| Expired unexercised             | (211,666)             | 0.87                               | (56,167)             | 3.86                               |
| Balance, end of period          | 1,050,000             | 0.44                               | 1,261,666            | 0.52                               |

# Golden Hope Mines Limited

(An exploration stage company)

## Notes to financial statements

For the nine-month period ended September 30, 2017

### 7. Share capital – Con'td

- (1) On October 24, 2016, the Company granted 75,000 stock options to a new director at an exercise price of \$0.27 per common share expiring October 24, 2021. The fair value of these options was \$17,949 based on the Black-Scholes option pricing model all vesting immediately and based on the following assumptions: risk-free rate of 0.58%, life of 5 years, expected volatility of 141% and no expected dividends.
- (2) On September 8, 2016, the Company granted 95,000 stock options to certain consultants, 425,000 stock options to the board of directors and 180,000 stock options to key management. All at an exercise price of \$0.32 per common share expiring September 8, 2021. The fair value of these options was \$198,684 based on the Black-Scholes option pricing model all vesting immediately and based on the following assumptions: risk-free rate of 0.57%, life of 5 years, expected volatility of 141% and no expected dividends.

At September 30, 2017, the following exercisable stock options were outstanding:

| Options   | Exercisable | Price | Expiry             |
|-----------|-------------|-------|--------------------|
| 10,000    | 10,000      | 3.00  | December 4, 2017   |
| 10,000    | 10,000      | 2.10  | September 27, 2018 |
| 430,000   | 430,000     | 0.50  | July 10, 2020      |
| 600,000   | 600,000     | 0.32  | September 8, 2021  |
| 1,050,000 | 1,050,000   |       |                    |

### 8. Related party transactions

During the nine-month period ended September 30, 2017, the Company incurred management fees in the amount of \$45,000 (\$15,000 in 2016), to 9132-8757 Quebec Inc., a company owned by the President of the Company. In relation with these transactions an amount of \$5,748.75 was payable as at September 30, 2017.

During the nine-month period ended September 30, 2017, the Company incurred management fees in the amount of \$45,000 (\$15,000 in 2016), to Avanti Management & Consulting Limited, a company controlled by Michael Dehn (a Director of the Company). In relation with these transactions an amount of \$30,000 was accrued as at September 30, 2017.

During the nine-month period ended September 30, 2017, the Company incurred management fees in the amount of \$5,000 (\$5,000 in 2016), to Patriot Capital Corporation., a company owned by the Former Vice-President of Business Development of the Company. In relation with these transactions, no amount was payable as at September 30, 2017.

During the nine-month period ended September 30, 2017, the Company incurred professional fees in the amount of \$14,415 (\$20,857 in 2016), to the Chief Financial Officer of the Company. In relation with these transactions no amount was payable as at September 30, 2017.

### 9. Commitments

Under rules established by the Ministère de l'Énergie et Ressources naturelles of the province of Québec, the Company is required to spend the amount of approximately \$19,176 to maintain the claims on the properties in 2019.

In addition, the Company has the following royalty commitments resulting from past transactions:

- \* Net profit royalty of 5% on net profits greater than \$250,000 for 4 claims acquired from La Société Minière Colmo.
- \* Net smelter royalty of 2% for 26 claims acquired from a prospector in 2010.

## 10. Fair value

For certain of the Company's financial instruments, including cash and cash equivalents, tax credits receivable, credits on duties receivable, other assets and accounts payable and accrued liabilities, their carrying amounts approximate fair value due to their immediate or short-term maturity.

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices of Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash and cash equivalents have been measured using level 1 inputs.

## 11. Capital management

The Company defines capital as shareholders' equity. The Company's objectives when managing capital are to:

- ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans;
- maintain financial capacity and access to capital to support future development of the business while taking into consideration current and future industry, market and economic risks and conditions; and
- utilize short term funding sources to manage its working capital requirements.

The Company has no externally imposed restrictions on capital.

## 12. Loss per share

### (a) Basic loss per share

Basic loss per share is computed by dividing net loss for a period by the weighted average number of common shares outstanding during that period.

### (b) Diluted loss per share

Diluted loss per share is computed by dividing net loss for a period by the diluted number of common shares. Diluted common shares includes the effects of instruments, such share options and warrants, which could cause the number of common shares outstanding to increase.

The Company reported a comprehensive loss for the years ended December 31, 2016 and 2015; the Company has accordingly presented basic and diluted loss per share, which are the same, on a single line in the statements of comprehensive loss. Diluted loss per share did not include the effect of share purchase options and warrants as they were anti-dilutive.

**13. Financial instruments**

- a) Credit risk arises from cash and cash equivalents which are composed of deposits with Canadian financial institutions. Further, the Company limits its credit risk to any individual counterparty. The Company's sales tax receivable consists primarily of Good and Service tax due from the Federal Government of Canada, Quebec sales tax and tax credits receivable due from the Ministry of Revenue of Quebec for current claims.
- b) Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices and is comprised of three types of risk:
  - i) Interest rate risk arises because of changes in market interest rates. The Company's cash and cash equivalents are subject to minimal risk in changes in value, have an original maturity of 90 days or less from the date of purchase, and are readily convertible into cash.
  - ii) Currency risk arises because of changes in foreign exchange rates. The Company is not exposed to such risk.
  - iii) Price risk - the Company will be exposed to price risk with respect to commodity prices, specifically gold. Any future significant price declines could cause continued exploration and development to become uneconomical.
- c) Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

Transaction costs associated with fair value through profit or loss financial assets and financial liabilities are expensed as incurred, while transaction costs associated with all other financial assets and other financial liabilities are included in the initial carrying amount of the asset or the liability.

**Sensitivity analysis**

Financial instruments included in tax credits and credits on duties receivable and other assets are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. As at September 30, 2017, the carrying value of the Company's financial instruments approximated their fair value. Based on management's knowledge and experience of the financial markets, the Company believes that the movements in interest rates that are reasonably possible over the next twelve month period will not have a significant impact on the Company.