

GK Resources Ltd.

**Condensed interim Financial Statements
For three months ended December 31, 2018
(Expressed in Canadian Dollars)**

GK Resources Ltd.

Index to Condensed Interim Financial Statements

For the three months ended December 31, 2018

(Expressed in Canadian Dollars)

	<u>Page</u>
NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS	3
Financial Statements	
Statement of Financial Position	4
Statement of Comprehensive Loss	5
Statement of Cash Flows	6
Statement of Changes in Shareholders' Equity	7
Notes to Financial Statements	8-14

**NOTICE OF NO AUDITOR REVIEW OF
INTERIM FINANCIAL STATEMENTS**

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

The accompanying unaudited interim 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 Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

GK RESOURCES LTD.Condensed Interim Statement of Financial Position
(Expressed in Canadian Dollars)

	As at December 31, 2018	As at September 30, 2018
	\$	\$
ASSETS		
Current		
Cash	435,658	470,989
Non-Current		
Exploration and evaluation asset (Note 3)	20,000	20,000
<hr/>		
TOTAL ASSETS	455,658	490,989
<hr/>		
LIABILITIES		
Current		
Accounts payable and accrued liabilities	7,774	9,302
<hr/>		
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	667,800	667,800
Deficit	(219,916)	(186,113)
<hr/>		
	447,884	481,687
<hr/>		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	455,658	490,989
<hr/>		

Nature of operations (Note 1)

These financial statements are authorized for issuance by the Board of Directors on February 28, 2019.

On behalf of the Board of Directors:

"Simon Dyakowski"
Director

"Ian McDonald"
Director

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

GK RESOURCES LTD.Condensed Interim Statement of Comprehensive Loss
(Expressed in Canadian Dollars)

	For the three months ended December 31, 2018	For the period from inception on November 3, 2017 to December 31, 2017
	\$	\$
Expenses		
Bank charges	151	-
Office	4,500	-
Professional fees	3,274	-
Property investigation	5,463	-
Regulatory and filing	20,415	-
Rental	-	-
Share-based compensation (note 4)	-	-
Travel expenses	-	-
Net loss and comprehensive loss for the period	(33,803)	-
Basic and diluted loss per share	(0.00)	-
Weighted average number of common shares outstanding	13,356,001	100

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

GK RESOURCES LTD.Condensed Interim Statement of Cash Flows
(Expressed in Canadian Dollars)

	For the three months ended December 31, 2018	For the period from inception on November 3, 2017 to December 31, 2017
	\$	\$
Cash flows used in operating activities		
Net loss for the period	(33,803)	-
Adjustment for non-cash item:		
Share based compensation	-	-
Changes in non-cash working capital item:		
Accounts payable	(1,528)	-
	<u>(35,331)</u>	<u>-</u>
Cash flows from investing activity		
Exploration and evaluation asset	-	-
Cash flows from financing activity		
Proceeds from shares issued	-	-
Net increase (decrease) in cash	(35,331)	-
Cash, beginning of the period	470,989	-
Cash, end of the period	<u>435,658</u>	<u>-</u>

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

GK RESOURCES LTD.Condensed Statement of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Number of Shares Issued	Share Capital	Deficit	Total Shareholders' Equity
Balance at September 30, 2018	\$ 13,356,001	\$ 667,800	\$ (186,113)	\$ 481,687
Net loss for the period	-	-	(33,803)	(33,803)
Balance at December 31, 2018	13,356,001	667,800	(219,916)	447,884

	Number of Shares Issued	Share Capital	Deficit	Total Shareholders' Equity
Balance at November 3, 2017	\$ -	\$ -	\$ -	\$ -
Issuance of incorporation share	100	1	-	1
Repurchase of incorporation share	-	-	-	-
Proceeds from shares issued	-	-	-	-
Net loss for the period	-	-	-	-
Balance at December 31, 2017	-	1	-	1

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

GK RESOURCES LTD.

Notes to Financial Statements

For the three months ended December 31, 2018

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

GK Resources Ltd. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on November 3, 2017. The Company is a mineral property exploration company that is in the process of completing an IPO, subsequent to which it intends to list its shares for trading on the TSX Venture Exchange (the “Exchange”). Specifically the Company intends to file a prospectus to qualify the offering, to the public in the provinces of British Columbia, Alberta and Ontario, of up to 3,000,000 common shares at a price of \$0.15 per share, for maximum gross proceeds of \$450,000. Refer to Notes 4 and 8.

The Company has an option agreement to earn an interest in a mineral property located near 100 Mile House, British Columbia (Note 3) and has not yet determined whether this property contains reserves that are economically recoverable. The recoverability of amounts from the property is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying property, the ability of the Company to obtain necessary financing to satisfy the expenditure requirements under the property option agreement and to complete the development of the property and upon future profitable production or proceeds for the sale thereof.

The Company’s head office, principal address and registered and records office is located at 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

The Company’s ongoing operations are ultimately dependent upon the success of its business activities and its ability to attain profitable operations and generate funds therefrom and/or to raise equity capital or borrowings sufficient to meet current and future obligations. Management expects to finance operating costs over the next twelve months with public and private financing endeavors.

The Company has no source of operating revenue, has incurred net losses since inception and as at December 31, 2018 has a deficit of \$219,916. Its continued existence will be dependent on the receipt of related party debt or equity financing on terms which are acceptable to the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these financial statements.

Statement of compliance

Statement of compliance with International Financial Reporting Standards

The Company applies International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB. The policies applied in these unaudited condensed interim financial statements are based on IFRSs issued and outstanding as of February 28, 2019, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended September 30, 2018, except as noted below. Any subsequent changes to IFRS that are given effect in the Company’s annual financial statements for the year ending September 30, 2019 could result in restatement of these unaudited condensed consolidated interim financial statements.

Basis of presentation

These financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

GK RESOURCES LTD.

Notes to Financial Statements

For the three months ended December 31, 2018

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. The Company classifies cash as fair value through profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized as a profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest method, and includes accrued liabilities and due to related party.

As at December 31, 2018, the Company does not have any derivative financial assets and liabilities.

GK RESOURCES LTD.

Notes to Financial Statements

For the three months ended December 31, 2018

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

Income taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Share capital

Common shares are classified as equity and measured at the fair value of consideration received or services rendered. Cash consideration received for common shares issued to non-related parties is considered to be the most accurate reflection of fair value; concurrent issuances to related parties at lower prices would accordingly be considered to reflect a component of non-monetary compensation. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

GK RESOURCES LTD.

Notes to Financial Statements

For the three months ended December 31, 2018

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

Accounting standards and amendments not yet adopted

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the period ended December 31, 2018 and have not been applied in preparing these financial statements:

IFRIC 23 – Uncertainty Over Income Tax Treatments: clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. Management does not anticipate this standard having a material effect on the Company's financial statements.

3. EXPLORATION AND EVALUATION ASSET

Iron Lake Property, British Columbia, Canada

The Company has entered into an agreement with Eastfield Resources Ltd. ("Eastfield") for an option to acquire an undivided 60% interest in Eastfield's Iron Lake Property located approximately 45 kilometres northwest of the community of 100 Mile House, British Columbia. The Iron Lake Property comprises 21 mineral claims totaling 8,035 hectares, subject to a 1.5% NSR royalty.

To earn the 60% interest, the Company is required to complete \$3,000,000 in exploration work, make cash payments of \$400,000 (\$20,000 paid) and issue common shares at an aggregate value of \$250,000 in share equivalents over a 5 year term. A minimum \$100,000 exploration program is required to be completed in the first year.

4. SHARE CAPITAL

Authorized Share Capital

Unlimited number of common shares without par value.

Issued Shares

On November 3, 2017, the Company issued 100 incorporator's shares at a price of \$0.10 per share for gross proceeds of \$1.00. These shares were repurchased by the Company and cancelled on September 19, 2018.

On June 28, 2018, the Company issued, by private placement, 3,180,001 common shares at a price of \$0.001 per share for gross proceeds of \$3,180. The Company recognized a charge for stock-based compensation of \$155,820 in respect to the fair value of the shares issued, based on the June 29, 2018 issuance described immediately below, of \$0.05 per share, exclusive of the cash proceeds received.

On June 29, 2018 the Company completed an additional non-brokered private placement, issuing 10,176,000 units, at \$0.05 per unit, for gross proceeds of \$508,800. Each Unit consists of one common share and one share purchase warrant. Each warrant can be exercised to acquire one common share of the Company for \$0.10 for a period of five years.

The Company has appointed an agent to offer, for sale to the public, pursuant to a prospectus, up to 3,000,000 common shares at a price of \$0.15 per common share, for maximum gross proceeds of \$450,000 (the "Offering"). The agent engaged in connection with the Offering of the common shares will be paid a base commission of 6% of the gross proceeds. In addition, the Company will pay the agent a Corporate Finance Fee of \$15,000 plus GST and will reimburse the agent for its expenses incurred pursuant to the Offering (\$10,000 retainer paid). The agent will also be issued non-transferable warrants in an amount equal to 8% of the common shares sold in the offering exercisable at a price of \$0.15 per share for a period of 24 months following the closing of the offering

GK RESOURCES LTD.

Notes to Financial Statements

For the three months ended December 31, 2018

(Expressed in Canadian Dollars)

4. SHARE CAPITAL – (continued)

Refer to Note 8.

Escrowed Shares

It is expected that immediately prior to listing on the Exchange, an escrow agreement (the “Escrow Agreement”) between the Company and certain shareholders of the Company will be completed resulting in 7,580,000 common shares (the “Escrowed Shares”), representing 56.754% of the issued and outstanding common shares prior to the completion of the Offering, being deposited in escrow. Pursuant to the Escrow Agreement, 10% of the Escrowed Shares will be released from escrow on the Listing Date (the “Initial Release”) and an additional 15% will be released on the dates which are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release. These Escrowed Shares may not be transferred, assigned or otherwise dealt without the consent of the regulatory authorities.

Stock Option Plan

The Company determined a total of 500,000 share purchase options will be granted to the directors and officers on the date upon which the Company becomes listed on the Exchange. These options will be exercisable for a price of \$0.20 for a period of five years from the date the Company becomes listed on the Exchange.

Warrants

The continuity of share purchase warrants for the period ended December 31, 2018 is as follows:

	Outstanding Warrants	Weighted Average Exercise Price
		\$
Balance, November 3, 2017, date of inception	-	-
Issued	10,176,000	0.10
Balance, September 30, 2018	10,176,000	0.10
Balance, December 31, 2018	10,176,000	0.10

On completion of the Offering, the Company will also grant to its agent warrants to acquire up to 8% of the common shares issued under the Offering at a price of \$0.15 per share for a period of 24 months from the closing date of the Offering, being up to 240,000 common shares.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company’s other financial instrument, being cash, is measured at fair value using Level 1 inputs.

GK RESOURCES LTD.

Notes to Financial Statements

For the three months ended December 31, 2018

(Expressed in Canadian Dollars)

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – (continued)

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The Company has deposited the cash with a high credit quality financial institution as determined by rating agencies. The risk of loss is low.

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's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due. Accrued liabilities are due within the current operating period. The Company has a sufficient cash balance to settle current liabilities.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is not exposed to market risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk, from time to time, on its cash balances. Surplus cash, if any, is placed on call with financial institutions and management actively negotiates favorable market related interest rates.

6. CAPITAL DISCLOSURES AND MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its projects. The Company is not subject to any externally imposed capital requirements.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms, enter into joint venture arrangements, borrow, acquire or dispose of assets.