SUTTER GOLD MINING INC.

Consolidated Financial Statements

March 31, 2018 and 2017

(Expressed in US Dollars unless otherwise noted)

Sutter Gold Mining Inc.
Consolidated Statements of Financial Position
(Expressed in US Dollars)

	Notes	As at March 31, 2018	As at December 31, 2017
Assets			
Current assets			
Cash		$ 120,800	$ 95,300
Amounts receivable		3,900	37,500
Prepaid expenses		35,900	33,900
		160,600	166,700
Non-current assets			
Restricted investments	*7*	40,600	40,600
Equipment		700	2,300
Mine under development	*5*	23,761,400	23,784,400
		23,802,700	23,827,300
Total assets		$ 23,963,300	$ 23,994,000
Liabilities and Shareholders' Deficiency			
Current liabilities			
Accounts payable and accrued liabilities	*8, 16*	$ 86,900	$ 114,500
Accrued interest payable	*9*	11,536,000	10,593,100
Current portion of note payable	*9*	46,021,800	45,591,900
		57,644,700	56,299,500
Non-current liabilities			
Reclamation liability	*7*	31,600	31,600
Long-term note payable	*9*	-	-
		31,600	31,600
Shareholders' Deficiency			
Preference shares	*10*	211,200	211,200
Common shares	*10*	27,700,100	27,700,100
Equity reserve – stock options		6,605,500	6,605,500
Deficit		(68,229,800)	(66,853,900)
Total shareholders' deficiency		(33,713,000)	(32,337,100)
Total liabilities and shareholders' deficiency		$ 23,963,300	$ 23,994,000
Commitments	*17*		

See the accompanying notes to the consolidated financial statements.

These consolidated financial statements are authorized for issue by the Board of Directors on May 23, 2018. They are signed on the Company's behalf by:

"Richard A. Winters" Director   *"Mark T Brown"* Director

Sutter Gold Mining Inc.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in US Dollars)

	Notes	For the period ended March 31, 2018	2017
Operating expenses			
Wages and benefits		$ 58,900	$ 59,700
Mine property holding costs		239,100	290,300
Professional and contract services		37,000	19,500
Office and administrative		23,900	26,300
Depreciation	*5*	24,500	26,900
Rent and electricity		51,700	48,100
Loss on foreign exchange		-	200
		435,100	471,000
Loss from operations		(435,100)	(471,000)
Interest income		-	100
Finance costs	*9*	(943,000)	(770,000)
Other income		2,200	2,200
		(940,800)	(767,700)
Net Loss and total comprehensive Loss for the year		$(1,375,900)	(1,238,700)
Net Loss per share:			
Basic and diluted Loss per share attributable to common shareholders	*12*	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	*12*	124,108,654	124,108,654

See the accompanying notes to the consolidated financial statements.

Sutter Gold Mining Inc.

Consolidated Statements of Changes in Shareholders' Deficiency

(Expressed in US Dollars)

		Preference Shares		Common shares				
	Notes	**Number of shares**	**Amount**	**Number of shares**	**Amount**	**Equity Reserve – Stock Options**	**Deficit**	**Total Shareholders' Deficiency**
Balance at January 1, 2017	*10*	254,414	$ 211,200	124,352,007	$27,683,500	$6,605,500	$(61,709,200)	$(27,192,400)
Net loss and total comprehensive loss		-	-	-	-	-	(1,238,700)	(1,238,700)
Balance at March 31, 2017		254,414	$ 211,200	124,827,007	$27,700,100	$6,605,500	$(62,947,900)	$(28,431,100)
Balance at January 1, 2018	*10*	254,414	$ 211,200	124,827,007	$27,700,100	$6,605,500	$(66,853,900)	$(32,337,100)
Net loss and total comprehensive loss		-	-	-	-	-	(1,375,900)	(1,375,900)
Balance at March 31, 2018	*10*	254,414	$ 211,200	124,827,007	$27,700,100	$6,605,500	$(68,229,800)	$(33,713,000)

See the accompanying notes to the consolidated financial statements.

Sutter Gold Mining Inc.

Consolidated Statements of Cash Flows

(Expressed in US Dollars)

	For the period ended ended March 31,	
	2018	**2017**
Cash flows from operating activities		
Net loss	$ (1,375,900)	$ (1,238,700)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	24,500	26,900
	(1,351,400)	(1,211,800)
Changes in non-cash working capital:		
Accounts receivable	33,600	8,000
Prepaid expenses	(2,000)	13,700
Accounts payable and accrued liabilities	(27,500)	(14,800)
Accrued interest payable	942,900	770,000
Net cash used in operating activities	(404,400)	(434,900)
Cash flows from investing activities		
	-	
Net cash used in investing activities	-	
Cash flows from financing activities		
Proceeds from note payable	429,900	447,800
Net cash provided by financing activities	429,900	447,800
Net decrease in cash	25,500	12,900
Cash - Beginning of the year	95,300	141,200
Cash - End of the period	$ 120,800	$ 154,100

See the accompanying notes to the consolidated financial statements.

1. GENERAL INFORMATION

Sutter Gold Mining Inc. (“SGMI” or "the Company") is a Canadian resource company that was established to conduct operations on mining leases and to produce gold from the Lincoln Project, a gold mining prospect in the Mother Lode mining district of Amador County, California. The project is currently under care and maintenance. The head office, principle, and registered address of the Company is 2414 Garland Street, Lakewood, CO 80215. The Company is listed on the TSX Venture exchange in Canada and OTCQX International exchange in the United States of America.

On December 29, 2004, the Company completed a reverse take-over by acquiring Sutter Gold Mining Company ("SGMC") of Riverton, Wyoming. At that time, approximately 4% of SGMC’s shareholders did not tender their existing shares in exchange for new common shares of the Company. The Company allotted 1,787,847 common shares to be issued to these shareholders and effective March 31, 2018 and 2017, 718,352 of these common shares still remain to be allotted to SGMC’s shareholders should they elect to tender their shares in the future.

On August 22, 2008, RMB Resources Ltd. (“RMB”), a trustee for the Telluride Investment Trust, completed the acquisition of 39,062,072 common shares of the Company from U.S. Energy Corp. (“USE”) for an aggregate purchase price of C$5,400,000. On August 22, 2011, RMB exercised all of its 6,384,700 outstanding warrants. As at March 31, 2018 and 2017, RMB owned 58,216,820 of the 124,827,007 outstanding common shares of the Company.

2. BASIS OF PRESENTATION - GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

The Company has generated significant losses since its inception which has resulted in an accumulated deficit of $68,229,800 as at March 31, 2018. The Company’s financial position has made access to financing through the equity markets extremely difficult and this has created uncertainty as to the Company's ability to fund ongoing operations for the next operating period and to continue with mine development. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern. The Company has entered into a bridge loan facility arrangement with a related party to cover short-term operating requirements. As at March 31, 2018, the Company has a working capital deficiency of $57,484,100 compared to a working capital deficiency as at March 31, 2017 of $37,620,700. These consolidated financial statements do not reflect adjustments to the carrying values of assets and liabilities which may be required should the Company be unable to raise adequate financing or meet current obligations and therefore be unable to continue as a going concern.

Also see Notes 9 and 13(b).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) using the significant accounting policies outlined below.

(b) Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis using the accrual basis of accounting, except for cash flow information and for financial instruments classified as available-for-sale which are stated at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(c) Principles of consolidation

These consolidated financial statements of the Company include the accounts of the Company and those of its subsidiary SGMC, a Wyoming corporation. All intercompany revenues, expenses, transactions and balances have been eliminated upon consolidation.

(d) Accounting standards and interpretations issued but not yet effective

- IFRS 16, *Leases*

IFRS 16 will replace IAS 17, Leases. IFRS 16 eliminates the classification as an operating lease, requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases with exemptions permitted for short-term leases and leases of low value assets and introduces new disclosure requirements. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019.

Several other new standards and amendments apply for the first time in fiscal 2018 and 2019; however, they are not applicable to the financial statements of the Company.

(e) Share-based payments

The Company has in effect a share option plan ("the Plan"), which allows Company employees, directors and officers to acquire shares of the Company. The Company recognizes employee compensation expense with a corresponding increase in equity based upon the fair value of the options outstanding at the statement of financial position date for options granted to employees of the Company. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. The fair value is measured at grant date and each tranche is recognized on a graded basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

(f) Deferred income taxes

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or 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 provided using the balance sheet liability method, providing for unused tax loss carry forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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 end of the reporting period applicable to the period of expected realization or settlement.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Deferred income taxes (continued)

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.

(g) Mine under development (Note 5)

Once the technical feasibility and the commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mine under development.

All expenditure on the construction, installation or completion of infrastructure facilities is capitalized within "Mine under development". Costs capitalized include pre-production revenues and expenditures prior to achieving commercial production. Commercial production is a convention for determining the point at which time a mine is producing at a sustainable commercial level after which production costs are no longer capitalized and are reported as operating costs. After production starts, all assets included in "Mine under development" are transferred to "Producing mines".

Land improvements, buildings, equipment, vehicles and development costs are carried at cost net of accumulated depreciation. Residual values and estimated useful lives are reviewed at least annually. Depreciation is provided by the straight-line method over estimated useful lives as follows:

Land Improvements	3-5 years
Buildings	10-20 years
Equipment and vehicles	3-5 years

Development costs are not being amortized at this time.

At each financial position reporting date the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

The recoverability of amounts shown for mine under development is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future profitable production or proceeds from the disposition thereof.

(h) Mineral properties (Note 6)

The Company does not accrue mineral lease payments that are at the option of the Company.

(i) Exploration and evaluation

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are expensed as incurred except for expenditures associated with the acquisition of exploration and evaluation assets through a business combination or asset acquisition which are recognized as assets. Costs incurred before the Company has obtained the legal rights to explore an area are expensed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Foreign currency translation

The functional currency and, unless otherwise indicated, the presentation currency of the Company is the United States ("US") Dollar. All figures presented have been rounded to the nearest hundreds. The Canadian parent's transactions not in US Dollars are translated into US Dollars as follows:

- monetary assets and liabilities at the rates of exchange prevailing at the statement of financial position dates;
- non-monetary assets and liabilities at the applicable historical exchange rates; and
- revenues and expenses at the average rates of exchange for the period.

Exchange gains and losses arising from the conversion of foreign currency balances and transactions are reported in profit or loss as they occur.

(k) Financial assets and liabilities

The Company's financial assets and liabilities include cash, restricted investments, amounts receivable (excluding GST), accounts payable and accrued liabilities, accrued interest payable, reclamation liability and note payable.

Financial assets and liabilities are classified into the following specified categories: available-for-sale ("AFS") financial assets, loans and receivables and other financial liabilities. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Company classified its cash, restricted investments and amounts receivable as loans and receivables, which are measured at amortized cost. Accounts payable, accrued liabilities, accrued interest payable, reclamation liability and note payable, except those at fair value through profit or loss, are classified as other financial liabilities.

Any warrant liability is classified as fair value through profit or loss ("FVTPL"). The warrant liability is a derivative whose fair value is determined using the Black-Scholes option pricing model and its value is derived from the underlying security. Gains and losses on remeasurement are recorded in the consolidated statement of loss and comprehensive loss.

Impairment of financial assets:
Financial assets are assessed for indicators of impairment at each statement of financial position reporting date except those at FVTPL. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted.

For all other financial assets objective evidence of impairment could include:
• significant financial difficulty of the issuer or counterparty; or
• default or delinquency in interest or principal payments; or
• it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account.

Financial instruments recorded at fair value:
Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

(l) Cash

Cash consists of cash deposits in banks and certificates of deposits. The Company does not hold any asset-backed commercial paper.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Asset retirement obligations

Environmental expenditures that are associated with the retirement of tangible long-lived assets are recorded as liabilities when those obligations are incurred, with the amount of the liability initially measured at fair value. These obligations are capitalized in the accounts of the related long-lived assets and are depreciated over the useful lives of the related assets. It is possible that the Company's estimates of its ultimate asset retirement obligations could change as a result of changes in regulations, the extent of environmental remediation required and the means of reclamation or costs estimates. Changes in estimates are accounted for prospectively from the period in which these estimates are revised.

The operations of the Company have been, and may in the future be, affected in varying degrees by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly from country to country and are not predictable.

As at March 31, 2018 and 2017, the Company does not have any asset retirement obligations other than reclamation liabilities as accrued.

(n) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the fair value of the proceeds received, net of direct issue costs.

(o) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(p) Expenses

Borrowing costs

Borrowing costs related to the costs of developing mining properties and constructing new facilities are capitalized and included in the carrying amounts of the related assets until mining properties reach commercial production and facilities are ready for their intended use.

All other borrowing costs are recognized in profit or loss in the period in which they incurred.

(q) Income (loss) per share

Basic income (loss) per common share is calculated by dividing the income (loss) attributed to shareholders for the period by the weighted average number of common shares outstanding in the period. Diluted income (loss) per common share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. Stock options, shares to be issued, and warrants outstanding are not included in the computation of diluted income (loss) per share if their inclusion would be anti-dilutive.

(r) Segment reporting

A segment is a component of the Company that is distinguishable by economic activity (business segment), or by its geographical location (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company operates in one business segment, namely, mineral production.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these consolidated financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based upon historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Sources of estimation uncertainty

The following are significant estimates and assumptions that management has made in determining the amounts recognized in the consolidated financial statements:

i. The useful lives and residual values of mine under development components are estimates by management based on assumptions about future events. Estimates and assumptions made may change if new information becomes available during their use.
ii. The ability to recover the carrying value of mine under development components is based on fair value less costs to sell and value in use. Estimates and assumptions made may change if new information becomes available.
iii. The ultimate amount of the site restoration and reclamation costs and mine closure costs that will have to be incurred is uncertain due to the fact that the laws and regulations are continually changing, uncertainty regarding the extent of the liability, and the magnitude of costs required to discharge this liability. In addition, the timing of the settlement of the obligation is uncertain.

Critical accounting judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

i. The Company uses judgment in determining whether there are facts and circumstances suggesting that the carrying amount of its mine under development may exceed its recoverable amount.
ii. The Company uses judgment in determining its ability to continue as a going concern.
iii. The Company uses judgment in determining its functional currency. IAS 21, The Effects of Changes in Foreign Exchange Rates ("IAS 21") defines the functional currency as the currency of the primary economic environment in which an entity operates. IAS 21 requires the determination of functional currency to be performed on an entity by entity basis, based on various primary and secondary factors. In identifying the functional currency of the Company and of its subsidiary, management considered the currency that mainly influences the cost of undertaking the business activities in each jurisdiction in which the Company operates. The Company has determined that the functional currency is the United States Dollar.

5. MINE UNDER DEVELOPMENT

In 2011, the Company commenced construction of its Lincoln Mine Project. Below is a summary of the costs capitalized as at December 31, 2017 and March 31, 2018. On March 31, 2014, the Company ceased mine development and put the project into care and maintenance. All costs after this date are expensed.

(Expressed in US Dollars except for per share information)

5. MINE UNDER DEVELOPMENT (CONTINUED)

	Land Improvements	Buildings	Equipment and Vehicles	Development Costs	Total
Cost					
Balance at January 1, 2017	$ 7,251,300	$ 4,915,300	$ 5,836,800	$ 6,687,200	$ 24,690,600
Balance at December 31, 2017	$ 7,251,300	$ 4,915,300	$ 5,836,800	$ 6,687,200	$ 24,690,600
Balance at January 1, 2018	$ 7,251,300	$ 4,915,300	$ 5,836,800	$ 6,687,200	$ 24,690,600
Balance at March 31, 2018	$ 7,251,300	$ 4,915,300	$ 5,836,800	$ 6,687,200	$ 24,690,600

	Land Improvements	Buildings	Equipment and Vehicles	Development Costs	Total
Depreciation					
Balance at January 1, 2017	$ 102,600	$ 390,200	$ 321,500	$ -	$ 814,300
Additions	21,300	67,000	3,600	-	91,900
Balance at December 31, 2017	$ 123,900	$ 457,200	$ 325,100	$ -	$ 906,200
Balance at January 1, 2018	$ 123,900	$ 457,200	$ 325,100	$ -	$ 906,200
Additions	5,300	16,700	1,000	-	23,000
Balance at March 31, 2018	$ 129,200	$ 473,900	$ 326,100	$ -	$ 929,200

	Land Improvements	Buildings	Equipment and Vehicles	Development Costs	Total
Carrying amounts					
At December 31, 2017	$ 7,127,400	$ 4,458,100	$ 5,511,700	$ 6,687,200	$ 23,784,400
At March 31, 2018	$ 7,122,100	$ 4,441,400	$ 5,510,700	$ 6,687,200	$ 23,761,400

During the periods ended March 31, 2018 and 2017, the Company incurred $943,000 and $770,000 of interest expense respectively, related to the senior secured term loan facility and expensed the entire amount.

6. MINERAL PROPERTIES

Sutter Gold Project, California

Lincoln and Comet Properties

The Lincoln and Comet properties are situated on a 551-acre block of mining claims and surface rights 45 miles east-southeast of Sacramento, California, in the central part of the 121-mile-long Mother Lode gold belt.

The Comet and Lincoln leases were amended in 2003. Both leases have terms of 30 years, broken down into ten year segments carrying a 4% production royalty or minimum annual payments as described below for the Lincoln and Comet properties. An additional 0.5% net smelter return royalty is held by a consultant to a lessee and was in place prior to the acquisition of the properties and covers all the properties in the Lincoln Mine Project. Lease payments are made at the Company's option, no accrual is made. The payments have been made through years 16 and 25 for the Lincoln and Comet leases respectively.

Years	Annual Payments	
	Comet	Lincoln
1-10	$ 1,200	$ 2,400
11-20	$ 2,400	$ 4,800
21-30	$ 3,600	$ 7,200
31-40 (10 year option)	$ 4,800	$ 9,600
41-Thereafer (annual option)	$ 4,800	$ 9,600

(Expressed in US Dollars except for per share information)

6. MINERAL PROPERTIES (CONTINUED)

Eureka Property

On January 21, 2005, the Company entered into a lease agreement to acquire 132 acres of land immediately adjacent to the Company's Lincoln Mine properties in California, called the Eureka Property. The lease term is 30 years, broken down into ten year segments carrying a 4% production royalty or a minimum annual payment. As of December 31, 2017, 12,000 common shares had been issued to the Eureka Property's owner for the first through forth years'. Lease payments are made at the Company's option, no accrual is made. All payments have been made through year 14 of the lease.

Years	Annual Payments
1-10	$ 2,400
11-20	$ 3,600
21-30	$ 4,800
31-40 (10 year option)	$ 6,000
41-Thereafer (annual option)	$ 6,000

Keystone Property

Effective August 1, 2003, the Company entered into a lease ("Third Amendment to Mining Lease and Option") with Keystone Mining Corporation. The lease covers certain properties at the Sutter Gold Project. The lease term is 30 years, broken down into ten year segments. A royalty of 5% of the net profits on production exists on these properties. A new lease would have to be entered into by both parties at the end of the 30 year term. The "net profits" will be determined by subtracting from gross mineral revenues an amount equal to 105% of numerous categories of costs and expenses. Lease payments are made at the Company's option, no accrual is made. The payments have been made through year 15 of the lease.

Keystone Property (Continued)

Years	Annual Payments
1-10	$ 5,000
11-20	$ 7,000
21-30	$ 10,000

Cecchettini Trust

Effective May 20, 2009, the Company entered into a Mineral Lease Agreement with the Cecchettini Trust. The lease covers 162 acres adjoining and contiguous with existing Sutter Gold Properties and requires annual base lease payments of $5,000 for the first 10 years of the lease. The lease automatically renews and extends at the end of the first term for two successive 10 year terms unless cancelled in writing by the company. A Production Royalty of 4% of saleable product produced on these leases will be paid during mining operations. Lease payments are made at the Company's option, no accrual is made. The payments have been made through year 9 of the lease.

Mexican property

The Alamo Group will retain a 3% net smelter royalty if gold is selling for C$650/ounce or greater and 1.5% if gold is selling for less than C$650/ounce. The Company has the right to purchase one half of the net smelter royalty for C$1 after The Alamo Group has received C$2,000,000 in royalties from commercial operations on the concession.

On March 29, 2007, the Company a signed Joint Venture Agreement with Premier Gold Mines Ltd. ("Premier") to jointly explore the Company's Santa Teresa mineral concession ("The Joint Venture"). Premier earned an initial 50% interest in the project by issuing 100,000 common shares to the Company, completing $1.5 million in exploration and acquisition and reimbursing the Company for all option payments due to the vendor (C$280,000). Premier earned an additional 15%

(Expressed in US Dollars except for per share information)

6. MINERAL PROPERTIES (CONTINUED)

interest in the property (to a 65% interest) by conducting exploration activities on the property.

On June 10, 2017 The Alamo Group signed a purchase agreement to acquire 100% of The Joint Venture from the Company and Premier (less royalty provision) for a purchase price of $400,000. A payment of $10,000 was due upon execution of the purchase agreement and $390,000 due within 30 days of The Alamo Group completing financing. The Alamo Group has made an interim payment in the amount of $40,000 plus any taxes owed on the concession for the 2017 tax year will be required. If the final closing payment is not paid by June 10, 2018 the purchase agreement will terminate.

7. RESTRICTED INVESTMENTS

Future reclamation and mine closure costs will be the responsibility of the Company and are based on legal and regulatory requirements. The laws and regulations are continually changing and are generally becoming more restrictive. The Company believes it is in compliance with applicable laws and regulations and expects to make future expenditures to comply with these laws and regulations. The current estimated reclamation liability of $31,600 is secured by a $35,000 reclamation bond as at March 31, 2018 and 2017.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	March, 31, 2018	March, 31, 2017
Accounts payable	$ 700	$ 700
Salaries and other compensation	18,400	15,800
Accrued expenses	67,800	90,000
	$ 86,900	$ 106,500

9. LOAN FACILITY

The current and long-term portion of the note payable to RMB Australia Holdings ("RMBAH") as at March 31, 2018 and December 31, 2017 are as follows:

	As at March 31, 2018			As at December 31, 2017		
	Current Portion	Long-term Portion	Total	Current Portion	Long-term Portion	Total
RMBAH SSTLF	46,021,800	-	46,021,800	45,591,900	-	45,591,900

RMBAH Senior Secured Term Loan Facility ("SSTLF")

On December 23, 2013 the Company entered into a new agreement for a SSTLF with RMBAH to replace both the existing Prepaid Gold Facility ("PPGF") and Bridge Loan Facility ("BLF") agreement, as amended and restated. The existing forward positions associated with the PPGF were closed out at market according to the close out protocol agreed between the Company and RMBAH with the resulting marked-to-market value of the PPGF obligations forming part of the principal amount to be restructured in the SSTLF.

The total amount under the SSTFL is $44 million. The SSTFL bears interest at Libor plus 5% per annum accrued monthly and is secured by substantially all of the assets of the Company. Principal payments (based on a specified percentage of the outstanding balance) were scheduled to commence on a quarterly basis effective December 31, 2014 with any remaining balance being payable on March 31, 2018. No payments have been made as at March 31, 2018 or subsequent to year end. Although the Company has been in technical default since December 31, 2014, there is no legal default under the loan facility until such time as RMBAH provides the Company written notice of a default event. RMBAH is in the process of finding a purchaser to acquire its debt and equity interests in the Company. RMBAH has confirmed that it will continue to fund the Company's care, maintenance and operating costs under the loan facility while

(Expressed in US Dollars except for per share information)

9. LOAN FACILITY (CONTINUED)

it pursues a purchaser. The due date of the loan facility has been extended to the earlier of i) March 31, 2020, and ii) the date on which RMBAH declares the loan facility to be immediately due and payable.

As at March 31, 2018 and 2017, interest of $11,536,000 and $8,037,500 was accrued, respectively.

10. SHARE CAPITAL AND OTHER EQUITY

(a) Authorized, issued and outstanding common and preference shares

As at March 31, 2018 and 2017, the Company had an unlimited number of authorized common shares without par value, and outstanding were 124,827,007 shares at each of March 31, 2018 and 2017. Included in this amount are 718,352 (2017 – 718,352) of the Company's common shares allotted to the former shareholders of SGMC who did not tender their shares of SGMC, on the acquisition of SGMC by the Company. All outstanding shares are fully paid.

Series 1 Convertible Redeemable Preference shares are convertible at any time by the holder into common shares of the Company on a one-for-one basis and are redeemable at any time by the Company at a price of C$1 for each share redeemed. These shares are non-interest bearing. Issued and outstanding were 254,414 shares as at March 31, 2018 and 2017.

(b) Warrants

As at March 31, 2018 and 2017 no warrants were outstanding.

11. SHARE - BASED PAYMENTS – EMPLOYEE SHARE OPTION PLAN

During the periods ended March 31, 2018 and 2017, the Company did not expense/(recover) any share-based payments related to its Employee Share Option Plan ("Plan").

During the periods ended March 31, 2018 and 2017 no stock options were exercised.

12. INCOME (LOSS) PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the net loss attributable to common shareholders by the weighted average number of common shares in issue during the year.

	March 31, 2018	March 31, 2017
Net loss attributable to common shareholders	$ (1,375,900)	$ (1,238,700)
Weighted average number of common shares in issue	124,108,655	124,108,655
Basic loss per share	$ (0.01)	$ (0.01)

(b) Diluted

Diluted loss per share has not been presented for 2018 and 2017 as this calculation is anti-dilutive.

(Expressed in US Dollars except for per share information)

13. FINANCIAL RISK MANAGEMENT

(a) Credit risk management

The Company's credit risk is primarily attributable to cash and restricted investments. The Company has no significant concentration of credit risk arising from operations. Cash and restricted investments have been invested with reputable financial institutions, from which management believes the risk of loss to be remote.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. Accounts payable and accrued liabilities are due within the current operating period. The following are the contractual maturities of the Company's financial obligations as at March 31, 2018 and 2017:

(Refer also to Note 2. Basis of Presentation - Going Concern)

	March 31, 2018				
	Carrying Amount	Contractual cash flows	1 year or less	2-5 years	More than 5 years
Accounts payable and accrued liabilities	$ 86,900	$ 86,900	$ 86,900	$ -	$ -
Accrued interest payable	$ 11,536,000	$ 11,536,000	$11,536,000	$ -	$ -
Note payable	$ 46,021,800	$ 46,021,800	$46,021,800	$ -	$ -
Reclamation liability	$ 31,600	$ 31,600	$ -	$ -	$ 31,600
Mineral leases	$ -	$ 315,400	$ 24,000	$ 105,800	$ 185,600

	March 31, 2017				
	Carrying Amount	Contractual cash flows	1 year or less	2-5 years	More than 5 years
Accounts payable and accrued liabilities	$ 106,500	$ 106,500	$ 106,500	$ -	$ -
Accrued interest payable	$ 8,037,500	$ 8,037,500	$ 8,037,500	$ -	$ -
Note payable	$ 44,362,300	$ 44,362,300	$29,677,900	$ 14,684,400	$ -
Reclamation liability	$ 31,600	$ 31,600	$ -	$ -	$ 31,600
Mineral leases	$ -	$ 339,400	$ 24,000	$ 105,400	$ 210,000

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk related to its SSTLF (see Note 9). The SSTLF bears interest at Libor rate plus 5.0%. A 10% increase in the Libor rate would have increased the Company's interest expense by the amount of $1,408,800.

(d) Foreign exchange risk

The Company's property interests in the United States and Mexico make it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the US Dollar, the Canadian Dollar and Mexican Pesos. The Company had no transactions denominated in the Mexican Peso in 2018 and 2017. The Company does not invest in foreign currency contracts to mitigate the risks. The Company has not presented a sensitivity analysis table for the foreign currency cash balances as at March 31, 2018 and 2017 as any fluctuation is not material to the Company's financial statements.

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value of financial assets and liabilities

The book values of the cash, amounts receivables, restricted investments, accounts payable and accrued liabilities, accrued interest payable, reclamation liability and note payable approximate their respective fair values due to the short-term nature of these instruments.

(f) Fair Value Hierarchy

The fair value hierarchy under which the Company's financial instruments are measured at fair value is as follows:

- Level I - measurement based on quoted prices (unadjusted) observed in active market for identical assets or liabilities;
- Level II - measurement based on inputs other than quoted prices included in Level I that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level III - measurement based on inputs that are not observable (supported by little or no market activity) for the asset or liability.

The Company had no assets or liabilities valued at fair value as at March 31, 2018 and 2017.

(g) Income Taxes

On December 22, 2017, President Trump signed into law legislation referred to as the "Tax Cuts and Jobs Act" (the TCJA). Substantially all provisions of the TCJA are effective for the taxable years beginning after December 31, 2017. The TCJA includes changes to the Internal Revenue Code of 1986 (as amended, the Code), including amendments that significantly change the taxation of individuals and business entities. The more significant changes included in the TCJA that impact us are reductions in the corporate federal income tax rate from 35% to 21% and several technical provisions including, among others, limiting the utilization of Net Operating Losses (NOLs) arising after December 31, 2017 to 80% of taxable income with an indefinite carry forward. Other changes that could impact the Company include full expensing for tax purposes of certain property acquired after September 27, 2017 and potential limits on deductibility of business interest expense.

14. CAPITAL RISK MANAGEMENT

The Company manages its common shares less cash as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. (Refer also to Note 2. Basis of Presentation - Going Concern)

The Company manages the 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 attempt to issue new shares, extend the due date of existing debt, enter into new debt or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing development efforts, the Company does not pay dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition. These maturities are selected with regards to the expected timing of expenditures from continuing operations.

(Expressed in US Dollars except for per share information)

The Company is currently assessing financing alternatives for its mine development plans and operations through its current operating period. The Company expects to have sufficient capital resources for its planned operational expenses, financing obligations and administration overhead expenses for 2018. (See Note 9)

15. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions. RMBAH is also a related party due to its large share ownership and its financing to the Company (see Note 9).

During the periods ended March 31, 2018 and 2017 the company accrued $3,325,600 and $2,798,600, respectively on the SSTLF Loan Facility outlined in Note 9.

15. RELATED PARTY TRANSACTIONS (CONTINUED)

The remuneration of key management personnel of the Company for the periods ended March 31, 2018 and 2017 was as follows:

	2018	**2017**
Short-term employee benefits	$ 76,200	$ 76,200

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and consist of the Company's directors, the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

17. COMMITMENTS

On May 3, 2007, the Company settled a Contingent Stock Purchase Warrant liability with U.S. Energy Corp. by the issuance of a Net Profits Interest royalty ("NPIR") of 5% until an amount of $4.6 million is repaid, and granting a 1% NPIR thereafter. NPIR is defined as the price received from the sale of gold or other mineralized product that is mined, saved and sold, less mining, milling, processing or refining and transportation costs and allowable taxes and royalties. No amount has been accrued as a liability as at March 31, 2018 and 2017 as there was no present obligation because nothing has been sold.