



CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED DECEMBER 31, 2018

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED 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 condensed interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

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

EnGold Mines Ltd.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

As at	December 31, 2018	September 30, 2018
ASSETS		
Current		
Cash	\$ 304,062	\$ 219,754
Receivables	30,705	35,335
Prepaid expenses	28,490	31,285
Total current assets	<u>363,257</u>	<u>286,374</u>
Reclamation deposits (Note 4)	147,000	147,000
Other assets	1,008	1,008
Restricted Cash (Note 5)	11,500	11,500
Property and equipment (Note 6)	45,932	48,349
Mineral properties (Note 7)	<u>2,572,409</u>	<u>2,572,409</u>
Total assets	<u>\$ 3,141,106</u>	<u>\$ 3,066,640</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 10)	\$ 352,687	\$ 146,102
Other liabilities (Note 9)	48,683	23,034
Total current liabilities	<u>401,370</u>	<u>169,136</u>
Shareholders' equity		
Share capital (Note 9)	41,177,534	40,695,116
Reserves (Note 9)	13,473,104	13,391,418
Deficit	<u>(51,910,902)</u>	<u>(51,189,030)</u>
Total shareholders' equity	<u>2,739,736</u>	<u>2,897,504</u>
Total liabilities and shareholders' equity	<u>\$ 3,141,106</u>	<u>\$ 3,066,640</u>

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 11)

Approved and authorized by the Board of Directors on February 28, 2019:

<u>"Robert Gordon"</u>	Director	<u>"David Brett"</u>	Director
Robert Gordon		David Brett	

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

EnGold Mines Ltd.

STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

For the three-month period ended December 31	2018	2017
EXPENSES		
Depreciation (Note 6)	\$ 2,417	\$ 3,022
Exploration and evaluation expenditures (Notes 8 and 10)	234,140	644,003
Filing and regulatory	5,570	3,581
Insurance	6,736	6,900
Office and other	13,220	29,499
Management, salaries and consulting (Note 10)	72,295	60,817
Professional fees	304,045	97,993
Share-based payments (Note 9)	99,901	202,149
Shareholder communications	3,900	21,072
Travel and promotion	4,088	15,697
Loss before other items and taxes	(746,312)	(1,084,733)
OTHER ITEMS		
Other income (Note 9)	24,440	-
Loss and comprehensive loss for the period	\$ (721,872)	\$ (1,084,733)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding	203,690,378	194,068,256

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

EnGold Mines Ltd.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

For the three-month period ended December 31	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (721,872)	\$ (1,084,733)
Non-cash items:		
Depreciation	2,417	3,022
Other income	(24,440)	-
Share-based payments	99,901	202,149
Changes in non-cash working capital items:		
Receivables	4,630	57,573
Prepaid expenses	2,795	37,175
Accounts payable and accrued liabilities	206,585	(337,212)
Net cash used in operating activities	<u>(429,984)</u>	<u>(1,122,026)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of exploration and evaluation asset	-	(10,000)
Purchase of property, plant and equipment	-	(35,626)
Net cash used in by investing activities	<u>-</u>	<u>(45,626)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issuances (Note 9)	280,500	150,000
Exercise of warrants	262,866	-
Transfer to restricted cash (Note 5)	-	(11,500)
Share issuance costs	(29,074)	(8,850)
Net cash provided by financing activities	<u>514,292</u>	<u>129,650</u>
Change in cash during the period	84,308	(1,038,002)
Cash, beginning of period	<u>219,754</u>	<u>1,570,640</u>
Cash, end of period	\$ 304,062	\$ 532,638
Supplemental cash flow information:		
Broker warrants issued as share issuance costs	\$ 3,871	\$ -
Shares issued for exploration and evaluation asset	\$ -	\$ 73,500
Fair value of warrants exercised	\$ 22,086	\$ -
Flow-through premium liability recognized	\$ 50,089	\$ 31,250

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

EnGold Mines Ltd.
STATEMENT OF CHANGES IN EQUITY

(Expressed in Canadian Dollars)

	Share Capital				
	Number	Amount	Reserves	Deficit	Total
Balance, September 30, 2017	193,772,876	\$ 39,409,175	\$ 12,780,694	\$ (48,279,166)	\$ 3,910,703
Private placements – flow through	625,000	150,000	-	-	150,000
Share issuance costs – cash	-	(8,850)	-	-	(8,850)
Flow-through premium liability	-	(31,250)	-	-	(31,250)
Shares issued for exploration and evaluation asset	350,000	73,500	-	-	73,500
Share-based payments	-	-	202,149	-	202,149
Loss for the period	-	-	-	(1,084,733)	(1,084,733)
Balance, December 31, 2017	194,747,876	39,592,575	12,982,843	(49,363,899)	3,211,519
Private placements	270,000	70,200	-	-	70,200
Private placements – flow through	2,803,000	840,900	-	-	840,900
Share issuance costs – cash	-	(177,415)	-	-	(177,415)
Share issuance costs – warrants	-	(30,082)	30,082	-	-
Flow-through premium liability	-	(112,120)	-	-	(112,120)
Exercise of warrants	5,302,586	511,058	(12,317)	-	498,741
Share-based compensation	-	-	390,810	-	390,810
Loss for the period	-	-	-	(1,825,131)	(1,825,131)
Balance, September 30, 2018	203,123,462	40,695,116	13,391,418	(51,189,030)	2,897,504
Private placements – flow through	2,003,572	280,500	-	-	280,500
Share issuance costs – cash	-	(29,074)	-	-	(29,074)
Share issuance costs – warrants	-	(3,871)	3,871	-	-
Flow-through premium liability	-	(50,089)	-	-	(50,089)
Exercise of warrants	3,010,830	284,952	(22,086)	-	262,866
Share-based compensation	-	-	99,901	-	99,901
Loss for the period	-	-	-	(721,872)	(721,872)
Balance, December 31, 2018	208,137,864	\$ 41,177,534	\$ 13,473,104	\$ (51,910,902)	\$ 2,739,736

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

EnGold Mines Ltd.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2018

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND THE ABILITY TO CONTINUE AS A GOING CONCERN

EnGold Mines Ltd. (the "Company") was incorporated in British Columbia under the Business Corporations Act. The Company is in the business of exploring for and evaluating economically viable mineral properties in Canada.

The Company's registered and records office is 725 Granville Street, Pacific Centre, Suite 400, Vancouver, BC V7Y 1G5.

The Company is in the process of exploring and evaluating its resource properties and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These condensed interim financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. For the period ended December 31, 2018, the Company incurred a loss of \$721,872, has an accumulated deficit of \$51,910,902 and expects to incur further losses in the development of its business. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's continuing operations and its ability to discharge its liabilities and fulfill its commitments as they come due, is dependent upon the ability of the Company to continue to obtain debt or equity financing in the short term, the continued support of related parties, and ultimately, on locating economically recoverable ore reserves in its mineral properties. Management believes the Company will be successful at securing additional funding, however, there is no assurance that such plans will be successful and if so, that the funding will be provided on terms acceptable to the Company.

If the Company is unable to obtain adequate additional financing and the continued support of related parties, the Company will be required to curtail operations and exploration activities. Furthermore, failure to continue as a going concern would require restatement of assets and liabilities on a liquidation basis, which would differ significantly from the going concern basis.

The condensed interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with the International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Presentation

The condensed interim financial statements have been prepared on a historical cost basis. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of these condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting year, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to:

EnGold Mines Ltd.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (cont'd...)

Use of Estimates and Judgments

Critical accounting estimates

- i. Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected share price volatility. Because the Company's warrants have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

Critical accounting judgments

- i. The carrying value and recoverability of exploration and evaluation assets requires management to make certain estimates, judgments and assumptions about each project. Management considers the economics of the project, including the latest resources prices and the long-term forecasts, and the overall economic viability of the project. Management has assessed these indicators and does not believe an impairment provision is required.
- ii. Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.
- iii. The estimate for contingencies and settlement provisions require management to make judgments as to the likelihood of outcomes and estimates of the timing and the possible outflow of economic benefits.

3. SIGNIFICANT ACCOUNTING POLICIES

New standards, interpretations and amendments adopted

We have adopted the new IFRS pronouncement for financial instruments as at October 1, 2018, in accordance with the transitional provisions outlined in the respective standard and described below. The adoption of the new IFRS pronouncement has not resulted to adjustments in previously reported figures and no change to the opening deficit balance as at October 1, 2018, under the IFRS 9 transition provisions.

Overview of Changes in IFRS 9

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and supersedes the guidance relating to the classification and measurement of financial instruments in IAS 39, Financial Instruments: Recognition and Measurement (IAS 39).

Under IFRS 9, on initial recognition, a financial asset or liability is classified at amortized cost or at fair value (either through other comprehensive income ("FVOCI") or profit or loss ("FVPL")).

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, there is an irrevocable option for each equity instrument to present fair value changes in other comprehensive income (FVOCI).

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

EnGold Mines Ltd.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2018

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

New standards, interpretations and amendments adopted (cont'd...)

Classification and Measurement Changes

We have assessed the classification and measurement of our financial assets and financial liabilities under IFRS 9 and have determined that there has been no change in the measurement categories, carrying values or to previously reported figures of our financial instruments. The adoption of the Standard did not have a significant impact on the condensed interim financial statements.

Impairment of financial assets

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment

The Company has determined that the application of IFRS 9's impairment requirements as at October 1, 2018 does not result in any additional impairment allowances.

New standards not yet adopted

Certain pronouncements were issued by the IASB or IFRIC that are mandatory for accounting periods beginning after October 1, 2019. They have not been early adopted in these condensed interim financial statements. In all cases the Company intends to apply these standards from application date as indicated below:

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation and disclosure of leases, including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases, as is required by IAS 17 Leases, and instead introduces a single lessee accounting model. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of adopting these amendments on its financial statements.

4. RECLAMATION DEPOSITS

As at December 31, 2018 the Company held \$147,000 (September 30, 2017 - \$147,000) in deposits with a financial institution as security for reclamation requirements.

5. RESTRICTED CASH

Restricted cash consists of a term deposit of \$11,500 (September 30, 2017 - \$nil) held as security for a corporate credit card.

EnGold Mines Ltd.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(Expressed in Canadian Dollars)

6. PROPERTY AND EQUIPMENT

	Field Equipment	Vehicles	Office Furniture and equipment	Computer Equipment	Computer Software	Total
Cost						
Balance, September 30, 2017	\$ 102,713	\$ 104,710	\$ 53,679	\$ 34,996	\$ 45,167	\$ 341,265
Additions	-	35,626	-	-	-	35,626
Balance, September 30 and December 31, 2018	\$ 102,713	\$ 140,336	\$ 53,679	\$ 34,996	\$ 45,167	\$ 376,891
Accumulated depreciation						
Balance, September 30, 2017	\$ 94,412	\$ 89,358	\$ 52,521	\$ 34,996	\$ 45,167	\$ 316,454
Additions	1,660	10,196	232	-	-	12,088
Balance, September 30, 2018	96,072	99,554	52,753	34,996	45,167	328,542
Additions	332	2,039	46	-	-	2,417
Balance, December 31, 2018	\$ 96,404	\$ 101,593	\$ 52,799	\$ 34,996	\$ 45,167	\$ 330,959
As at September 30, 2018	\$ 6,641	\$ 40,782	\$ 926	\$ -	\$ -	\$ 48,349
As at December 31, 2018	\$ 6,309	\$ 38,743	\$ 880	\$ -	\$ -	\$ 45,932

EnGold Mines Ltd.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018

(Expressed in Canadian Dollars)

7. MINERAL PROPERTIES

	<u>Lac La Hache</u>
Balance, September 30, 2017	\$ 2,488,909
Additions	83,500
Balance, September 30, 2018 and December 31, 2018	<u>\$ 2,572,409</u>

Balance of exploration and evaluation assets represents acquisitions costs paid by the Company.

Lac La Hache

The following descriptions apply to adjacent properties in the Clinton Mining and Cariboo Divisions located near Lac La Hache, British Columbia:

a) Miracle/Murphy

The Company owns a 100% interest in four mineral claims located in the Clinton Mining Division of British Columbia, located near Lac La Hache. Under the terms of an agreement dated October 27, 1994, there is a 2% net smelter return ("NSR") which will be reduced to 1% upon an aggregate total payment of \$1,500,000 to the original vendor.

b) Peach Lake

The Company owns an 100% interest in seven mineral claims located in the Clinton Mining Division of British Columbia, located near Lac La Hache. Under the terms of an agreement dated December 1, 1994, there is a 3% NSR due to the original vendor on four of the seven claims to a maximum of \$500,000 and a 1% NSR in favour of Peach Lake Resources Ltd., purchasable at any time for \$3,000,000.

During the year ended September 30, 2018, the Company signed an agreement amending the NSR purchase price from \$3,000,000 to \$2,000,000. In exchange for the revised agreement, the Company paid \$10,000 cash and issued 350,000 common shares valued at \$73,500.

c) Ann

The Company owns a 100% interest in two mineral claims located in the Clinton Mining Division of British Columbia, located near Lac La Hache. Under the terms of the agreements, the claims are subject to a 5% net profits royalty to a maximum of \$500,000.

d) Murphy Lake

The Company owns a 100% interest in six mineral claims located in the Cariboo Mining Division of British Columbia, located near Lac La Hache. Under the terms of an agreement dated June 3, 1993, the Company has agreed with the original vendor to issue 300,000 common shares, when it is confirmed that an ore body exists and the plans to commence commercial production are in place and pay a 3% NSR to a maximum of \$1,000,000. No shares have been issued to the date of these financial statements.

e) PMA/Cassidy

The Company owns a 100% interest in four mineral claims, located in the Cariboo Mining Division of British Columbia, located near Lac La Hache. Under the terms of the agreement dated February 14, 2000, the Company is not required to pay a NSR to the original vendor.

EnGold Mines Ltd.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(Expressed in Canadian Dollars)

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

Lac La Hache (cont'd...)

f) Candorado Option Agreement

During the year ended September 30, 2012, the Company and Candorado Operating Company Ltd. entered into an option agreement whereby the Company acquired a 100% interest in certain unpatented mineral claims located east of Williams Lake, BC, near Lac La Hache. Consideration issued and paid was as follows:

- Cash payments of \$870,000;
- Issuance of 2,400,000 common shares, valued at \$600,000; and
- Share purchase warrants, issuance of 2,000,000 share purchase warrants with each warrant exercisable to purchase one additional common share at an exercise price of \$0.40 until January 2014. These warrants were valued at \$144,000 and have expired.

The agreement was originally subject to a 2% NSR but this was waived by the vendor in an amendment to the agreement.

Red Property

On July 5, 2016, the Company entered into a joint agreement with Pacific Empire Minerals Corp. ("PEMC") that is accounted for as a joint operation under IFRS 11 *Joint Arrangements*. Both parties hold certain adjacent claims located in the Clinton Mining Division of British Columbia and agreed to combine into single property to be known as the Red Property (the "Property") and form an unincorporated joint operation for the purpose of exploring and developing the Property. The participating interests of both parties at the time of the joint operation is 50% with each party responsible for payment of its proportionate share of operating and capital costs, including reclamation and remediation obligations.

Upon formation of the joint operation, a management committee (the "Management Committee") consisting of two representatives of each party and holding voting rights in accordance with each party's participating interest, was established which shall make all decisions which are required to be made by the joint operation participants. The Management Committee shall be responsible for the exploration and development of the Property and for the negotiation of any option or sale of the Property.

8. PREMISES OPERATING LEASE

During the period ended December 31, 2018 the Company recorded premises rental payments of \$7,918 (2017 - \$9,533) in exploration and evaluation expenditures in the statement of comprehensive loss.

9. SHARE CAPITAL AND RESERVES

a) Authorized share capital

Unlimited number of common and preferred shares without par value.

b) Issued share capital

- During the period ended December 31, 2018, the Company completed a non-brokered private placement of 2,003,572 flow-through units (each, a "FT Unit") at a price of \$0.14 per FT Unit for gross proceeds of \$280,500. Each FT Unit is comprised of one flow-through common share and one share purchase warrant (a "Warrant"). Each Warrant is exercisable at \$0.20 per share for a period of one year. The Company paid a finder's fee of \$14,000 and issued 100,000 agent's warrants exercisable at \$0.14 for one year. The agent's warrants were fair valued at \$3,871 using the Black-Scholes pricing model using a share price of \$0.12, expected life of one year, and a volatility of 102.02%. The Company incurred additional closing costs of \$15,074 in connection with the offering. The Company used the residual method to calculate the fair value of the tax deduction attached with the flow-through common share and recorded a flow-through liability of \$50,089. During the period ended December 31, 2018, the Company spent approximately 3% of the required flow-through expenditures under the issuance and \$1,406 was recognized in the statement of comprehensive loss as other income.

EnGold Mines Ltd.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(Expressed in Canadian Dollars)

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

b) Issued share capital (cont'd...)

During the year ended September 30, 2018:

- b) The Company issued 350,000 common shares at a price of \$0.21 per share (fair value of the common shares on the date of their issuance) to amend the NSR on its Peach Lake property (Note 7).
- c) The Company completed a non-brokered private placement of 625,000 flow-through shares at a price of \$0.24 per share for gross proceeds of \$150,000. The Company used the residual method to calculate the fair value of the tax deduction attached with the flow-through common share and recorded a flow-through liability of \$31,250. During the period ended June 30, 2018, the Company spent all flow-through expenditures required under the issuance and \$31,250 was recognized in the statement of comprehensive loss as other income.
- d) The Company completed the first tranche of a brokered private placement for 2,429,667 Flow-Through units (the "FT Units") at a price of \$0.30 per unit and 193,000 Non-Flow-Through units (the "NFT Units") at a price of \$0.26 per unit for gross proceeds of \$779,080. Each FT Unit consists of one flow-through common share and one non-flow-through common share purchase warrant entitling the holder to acquire one common share at a price of \$0.40 until May 16, 2020. Each NFT Unit consists of one common share and one warrant with each warrant entitling the holder to acquire one common share at a price of \$0.35 per share until May 16, 2020. In connection with the closing, the Company paid finders' fees of \$86,699 and issued 170,076 agents' warrants with an exercise price of \$0.40 and 13,510 agents' warrants with an exercise price of \$0.35, both expiring May 16, 2020. The agent's warrants were fair valued at \$27,484 using the Black-Scholes pricing model using a share price of \$0.25, expected life of two years, and a volatility of 137.99%. The Company incurred additional closing costs of \$60,358 in connection with the offering. The Company used the residual method to calculate the fair value of the tax deduction attached with the flow-through common shares and recorded a flow-through liability of \$97,187. During the period ended December 31, 2018, the Company spent the remaining 8% of the required flow-through expenditures under the issuance and \$8,101 was recognized in the statement of comprehensive loss as other income.
- e) The Company completed the second tranche of a brokered private placement for 373,333 Flow-Through units (the "FT Units") at a price of \$0.30 per unit and 77,000 Non-Flow-Through units (the "NFT Units") at a price of \$0.26 per unit for gross proceeds of \$132,020. Each FT Unit consists of one flow-through common share and one non-flow-through common share purchase warrant entitling the holder to acquire one common share at a price of \$0.40 until August 10, 2020. Each NFT Unit consists of one common share and one warrant with each warrant entitling the holder to acquire one common share at a price of \$0.35 per share until August 10, 2020. In connection with the closing, the Company paid finders' fees of \$19,241 and issued 26,133 agents' warrants with an exercise price of \$0.40 and 5,390 agents' warrants with an exercise price of \$0.35, both expiring Augusts 10, 2020. The agent's warrants were fair valued at \$2,598 using the Black-Scholes pricing model using a share price of \$0.17, expected life of two years, and a volatility of 128.48%. The Company incurred additional closing costs of \$39,672 in connection with the offering. The Company used the residual method to calculate the fair value of the tax deduction attached with the flow-through common shares and recorded a flow-through liability of \$14,933. During the period ended December 31, 2018, the Company made the full amount of required flow-through expenditures and \$14,933 was recognized in the statement of comprehensive loss as other income.

EnGold Mines Ltd.

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED DECEMBER 31, 2018
 (Expressed in Canadian Dollars)

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

c) Stock options and warrants

The Company has a share purchase option plan approved by the Company's shareholders that allows it to grant share purchase options, subject to regulatory terms and approval, to its officers, directors, and employees. The share purchase option plan (the "2011 Rolling Option Plan") is based on the maximum number of eligible shares equaling a rolling percentage of 7.5% of the Company's outstanding common shares, and may not exceed 5% to any individual, calculated from time to time. During the year ended September 30, 2018, the Rolling Option Plan was amended such that the maximum number of eligible shares reserved for issuance under the plan be reduced from 7.5% to 5% of the Company's outstanding common shares, of which 1.88% had been issued. Pursuant to the 2011 Rolling Option Plan, if outstanding share purchase options are exercised or expire, and/or the number of issued and outstanding common shares of the Company increases, then the share purchase options available to grant under the plan increases proportionately. The exercise price of each share purchase option is set by the Board of Directors at the time of grant but cannot be less than the market price (less permissible discounts).

Under the Plan, if an optionee ceases to be a director, officer or employee for any reason other than death, this option shall terminate as specified by the Board and all rights to purchase common shares under such option shall cease and expire and be of no further force or effect. Options have a maximum term of five years and depending on who the optionee is and whether the optionee resigned or is terminated, will terminate on the effective date of resignation or termination or 18 months following termination, except in the case of death, in which case they terminate one year after death. Unless otherwise noted vesting of options is made at the time of granting of the options at the discretion of the Board of Directors. Vested options are exercisable at any time.

Stock option and share purchase warrants transactions are summarized as follows:

	Options		Warrants	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Balance, September 30, 2017	4,105,996	\$ 0.39	20,268,666	\$ 0.26
Issued	-	-	3,288,109	0.40
Exercised	-	-	(5,302,586)	0.09
Balance, September 30, 2018	4,105,996	0.39	18,254,189	0.33
Issued	-	-	2,103,572	0.20
Expired and cancelled	(196,000)	0.12	(7,675,250)	0.25
Exercised	-	-	(3,010,830)	0.09
Balance, December 31, 2018 - outstanding	3,909,996	\$ 0.40	9,671,681	\$ 0.44
Balance, December 31, 2018 - exercisable	1,303,332	\$ 0.40	9,671,681	\$ 0.44

As at December 31, 2018, incentive stock options were outstanding as follows:

	Number	Exercise price	Expiry date
Stock Options	1,236,666	\$ 0.40	March 16, 2019
	66,666	\$ 0.40	August 8, 2019
	1,236,666	\$ 0.40	March 16, 2020
	66,666	\$ 0.40	August 8, 2020
	1,236,666	\$ 0.40	March 16, 2021
	66,666	\$ 0.40	August 8, 2021
	<u>3,909,996</u>		

EnGold Mines Ltd.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(Expressed in Canadian Dollars)

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

c) Stock options and warrants (cont'd...)

During the period ended December 31, 2018 and the year ended September 30, 2018, the Company did not grant any options. Total share-based payments recognized in the statement of comprehensive loss for the year ended December 31, 2018 is \$99,901 (2017 - \$202,149) relating to options vested during the period. As the fair value of services provided by consultants could not be reliably measured, the fair value of the equity instruments issued was calculated by using the Black-Scholes option-pricing model/

As at December 31, 2018, share purchase warrants were outstanding as follows:

	Number	Exercise price	Expiry date
Share Purchase Warrants	4,280,000	\$ 0.60	April 12, 2019
	2,599,743	\$ 0.40	May 16, 2020
	206,510	\$ 0.35	May 16, 2020
	399,466	\$ 0.40	August 10, 2020
	82,390	\$ 0.35	August 10, 2020
	2,003,572	\$ 0.20	December 27, 2019
	100,000	\$ 0.14	December 27, 2019
	<u>9,671,681</u>		

10. RELATED PARTY TRANSACTIONS

Key management personnel comprise the Chief Executive Officer, Chief Financial Officer, Corporate Secretary, Vice President of Exploration and Directors of the Company. The remuneration of the key management personnel for the period ended December 31, 2018 is as follows:

- Included in management, salaries, and consulting fees was \$30,000 (2017 - \$30,000) for services provided by the CEO, \$6,000 (2017 - \$7,000) paid to the corporate secretary, and \$12,000 (2017 - \$12,000) to a company that employs the CFO of the Company.
- Included in exploration and evaluation expenditures are \$26,000 (2017 - \$51,600) for geological consulting services to a company controlled by the Vice President of Exploration.
- Share based payments of \$90,616 (2017 - \$183,324) related to the fair value of stock options issued to key management personnel.

An amount of \$4,200 (September 30, 2018 - \$12,818) included in accounts payable is owed to related parties. These balances are unsecured, non-interest bearing, have no fixed repayment terms, and are due on demand.

11. COMMITMENTS AND CONTINGENCIES

- i) From time to time, certain claims, lawsuits, and complaints may arise in the ordinary course of operations against the Company. Provisions related to such claims, if any, will be accrued when the claims meet the recognition criteria for contingent liabilities. The Company is not aware of any material unrecorded contingent liabilities which require recording in the financial statements for the period ended December 31, 2018.

In addition to the above, a former senior officer of the Company commenced litigation against the Company alleging wrongful dismissal and claiming unspecified damages. The Company is defending the cases, believes they are without merit and has issued a counterclaim. No provision has been recorded in relation to these legal proceedings.

EnGold Mines Ltd.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(Expressed in Canadian Dollars)

11. COMMITMENTS AND CONTINGENCIES (cont'd...)

- ii) The Company is partly financed by the issuance of flow-through shares. However, there is no guarantee that the funds spent by the Company will qualify as Canadian exploration expenses, even if the Company has committed to take all the necessary measures for this purpose. Refusals of certain expenses by tax authorities would have negative tax consequences for investors. As of December 31, 2018, the Company has an obligation to incur \$272,625 (September 30, 2018 - \$172,756) of eligible expenses pursuant to the terms of the flow through shares financing.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to the following financial risks:

- Market Risk
- Interest Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

a) Market Risk

Market risk is the risk that changes in market prices, such as interest rates, commodity prices, 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. As at December 31, 2018, the Company is not materially exposed to market risk.

b) Interest Risk

Interest risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has not entered into any derivative contracts to manage risk. The Company's policy as it relates to its cash balances is to invest excess cash in a reputable Canadian chartered bank.

As of December 31, 2018, the Company's exposure to interest rate risk is cash with variable interest rate. A change in interest rates of 1% would not materially affect the Company's cash flows.

c) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk is on its reclamation deposit.

EnGold Mines Ltd.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

d) 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 policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

The Company anticipates that the current funds are not sufficient to support its corporate and administrative obligations on a continuous basis. Management is evaluating other alternatives to secure financing including additional equity offerings. However, there is no assurance that these initiatives will be successful. The amount and timing of additional funding will be impacted by, among other things, the strength of the capital markets.

Determination of Fair value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Statement of Financial Position carrying values for receivables, and accounts payable and accrued liabilities approximates fair value due to their short-term nature.

13. CAPITAL MANAGEMENT

The Company manages its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital consists of shareholder's equity comprising: issued capital; share purchase warrants; reserves and deficit. The basis for the Company's capital structure is dependent on the Company's exploration programs. There were no changes in the Company's approach to capital management during the current period and the Company is not subject to externally imposed capital requirements, except when the Company issues flow-through shares. The Company is subject to certain requirements in relation to its use of funds raised through the issuance of flow-through shares. These funds have to be incurred for eligible exploration expenditures in accordance with Canadian federal and certain provincial income tax acts.