SUNPEAK METALS CORP

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Directors of
Sun Peak Metals Corp.

We have audited the accompanying consolidated financial statements of Sun Peak Metals Corp., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the year ended December 31, 2017 and for the period from incorporation on June 2, 2016 to December 31, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Sun Peak Metals Corp. as at December 31, 2017 and 2016 and its financial performance and its cash flows for the year ended December 31, 2017 and the period from incorporation on June 2, 2016 to December 31, 2016 in accordance with International Financial Reporting Standards.

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Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Sun Peak Metals Corp.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

July 17, 2018

SUN PEAK METALS CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Note		**December 31, 2017**		**December 31, 2016**
ASSETS					
Current					
Cash	*4*	$	172,806	$	460,310
Receivables			5,117		2,086
Prepaid expenses			2,593		-
			180,516		462,396
Equipment			1,260		-
		$	181,776	$	462,396
LIABILITIES					
Current					
Trade and other payables	*5*	$	116,861	$	36,235
EQUITY					
Share capital	*6*		567,073		542,073
Subscriptions received in advance	*6*		10,000		-
Deficit			(512,158)		(115,912)
			64,915		426,161
		$	181,776	$	462,396
Nature of operations and going concern	*1*				
Subsequent events	*12*				

These consolidated financial statements are approved for issue by the Board of Directors on July 17, 2018.

On behalf of the Board:

/s/ David Awram Director /s/ Greg Davis Director

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

SUN PEAK METALS CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Note		Year ended December 31, 2017		Period from incorporation on June 2, 2016 to December 31, 2016
Expenses					
Consulting fees	*8*	$	72,000	$	24,000
Depreciation			381		-
Foreign exchange			56,874		1,152
Office expenses			25,140		26,842
Professional fees			27,000		2,592
Project investigation costs	*7*		214,851		61,326
Loss and comprehensive loss for the period		$	(396,246)	$	(115,912)
Basic and diluted loss per share		$	(0.02)	$	(0.01)
Weighted average number of shares outstanding			22,106,849		11,980,189

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

SUN PEAK METALS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Year ended December 31, 2017	Period from incorporation on June 2, 2016 to December 31, 2016
Cash flows to operating activities		
Loss for the period	$ (396,246)	$ (115,912)
Items not involving cash:		
Depreciation	315	-
Change in non-cash working capital items:		
Receivables	(3,031)	(2,086)
Prepaid expenses	(2,593)	-
Trade and other payables	80,626	64,820
	(320,929)	(53,178)
Cash flows to investing activities		
Purchase of equipment	(1,575)	-
	(1,575)	-
Cash flows from financing activities		
Proceeds from private placements	25,000	516,415
Subscriptions received in advance	10,000	-
Share issue costs	-	(2,927)
	35,000	513,488
Change in cash for the period	(287,504)	460,310
Cash, beginning of period	460,310	-
Cash, end of period	$ 172,806	$ 460,310
Non-cash investing and financing activities		
Shares issued for trade and other payables	$ -	$ 28,585
Supplementary information		
Interest paid	$ -	$ -
Income taxes paid	-	-

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

SUN PEAK METALS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

	Number of shares	Share capital	Subscriptions received in advance	Deficit	Total
Balance, December 31, 2016	21,700,000	$ 542,073	$ -	$ (115,912)	$ 426,161
Private placement	500,000	25,000	-	-	25,000
Subscriptions received in advance	-	-	10,000	-	10,000
Loss and comprehensive loss for the year	-	-	-	(396,246)	(396,246)
Balance, December 31, 2017	22,200,000	$ 567,073	$ 10,000	$ (512,158)	$ 64,915

	Number of shares	Share capital	Subscriptions received in advance	Deficit	Total
Balance, June 2, 2016	-	$ -	$ -	$ -	$ -
Private placements	21,700,000	545,000	-	-	545,000
Share issue costs	-	(2,927)	-	-	(2,927)
Loss and comprehensive loss for the period	-	-	-	(115,912)	(115,912)
Balance, December 31, 2016	21,700,000	$ 542,073	$ -	$ (115,912)	$ 426,161

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Sun Peak Metals Corp. (the "Company") is a private company incorporated pursuant to the provisions of the British Columbia Business Corporations Act on June 2, 2016. The Company organized its wholly owned subsidiary, Sun Peak Ethiopia Mining PLC under the provisions of the Commercial Code of Ethiopia on October 3, 2016.

The Company's head office and registered and records office address is Unit 1 – 15782 Marine Drive, White Rock, B.C. Canada V4B 1E6.

The Company is engaged in the identification, acquisition, exploration and, if warranted, development of mineral resource projects in Ethiopia. The Company's continuing operations are dependent upon its ability to identify, evaluate and negotiate an agreement to acquire, or otherwise acquire, an interest in a mineral resource project that will meet the test to be a qualifying property for a listing on the TSX Venture Exchange.

In November 2017, the Company entered into an agreement to acquire up to 70% of the Terer and Meli exploration licenses located in Ethiopia (Note 7).

In January 2018, the Company was awarded the Nefasit exploration license also located in Ethiopia (Note 12).

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 in the foreseeable future. As at December 31, 2017, the Company had working capital of $63,655. In January 2018, the Company completed a non-brokered private placement for proceeds of $1,749,340 (Note 12). Management estimates that these funds will not provide the Company with sufficient financial resources to carry out currently planned exploration and operations through the next twelve months. Accordingly, the Company will need to seek additional sources of financing to carry on future operations. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The policies applied in these financial statements are based on the IFRS issued and outstanding as at the date the Board of Directors approved these financial statements for issue.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. BASIS OF PRESENTATION (continued)

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the parent Company's functional currency as well as being the functional currency for the Company's Ethiopian subsidiary.

Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

Recovery of deferred tax assets - Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

The Company has not recorded any deferred tax assets.

(ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are, but are not limited to, the following:

Determination of functional currency - In accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates" management determined that the functional currency of the parent Company as well as the Company's Ethiopian subsidiary is the Canadian dollar.

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned Ethiopian subsidiary. Intra-company balances and transactions, and any unrealized income and expenses arising from intra-company transactions, are eliminated in preparing the consolidated financial statements.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying exchange rates at the dates of the transactions in the financial statements of each entity in the Company.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the reporting date exchange rate.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognized in profit or loss.

Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is recognized in operations on a either a declining balance basis or straight-line basis over the estimated useful lives of each part of an item of equipment, the choice dependant on which most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Depreciation rates are as follows: computer equipment 20%-30%; office and field equipment 12.5%-20%; and vehicles 25%.

An item of equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Exploration and evaluation assets

Upon acquiring the legal right to explore a mineral property, all direct costs related to the acquisition of exploration and evaluation assets will be capitalized. All direct costs related to the acquisition of mineral property interests will be capitalized into intangible assets. Exploration and evaluation expenditures incurred prior to the acquisition of a mineral project or determination of the feasibility of mining operations and a decision to proceed with development are charged to profit or loss as incurred. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, will be capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves. When there is little prospect of further work on a property being carried out by the Company, the remaining deferred costs associated with that property are charged to operations during the period such determination is made.

The Company will assess exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

(i) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as FVTPL unless they are designed as effective hedges. Assets in this category include cash.

Financial assets at FVTPL are initially recognized, and subsequently carried, at fair value with changes recognized in operations. Attributable transaction costs are recognized in operations when incurred.

(ii) Financial assets available for sale ("AFS")

Financial assets available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income or loss ("OCI") except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost.

Financial assets AFS are initially recognized, and subsequently carried at fair value with changes recognized in OCI. Attributable acquisition transaction costs, if any, are recognized in the initial fair value.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months or those that are expected to be settled after 12 months from the end of the reporting period, which are classified as non-current assets. Assets in this category include receivables.

Loans and receivables are initially recognized at fair value plus any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is used to determine the amortized cost of loans and receivables and to allocate interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period.

(iv) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting period end. Financial assets are impaired when 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 investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

(iv) Impairment of financial assets (continued)

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment losses were recognized, the previously recognized impairment loss is reversed through operations to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(v) De-recognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the assets expire or the financial assets are transferred, and the Company has transferred substantially all of the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recorded as the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities at FVTPL or as other financial liabilities.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in operations in the period in which they arise.

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The Company has classified trade and other payables as other financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss per share

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

Share capital

Common shares are classified as share capital. Incremental costs, net of tax effects, directly attributable to the issue of common shares are recognized as a deduction from equity.

Warrants

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate exploration and evaluation assets. These equity financing transactions may involve the issuance of common share or units. Each unit comprises a certain number of common shares and a certain number of warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to the expiry as stipulated by the transaction. Warrants that are part of units are assigned a value based on the residual value, if any, and included in reserves.

Warrants that are issued as payment for agency or finders' fees or other transaction costs are accounted for as share-based payments.

Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable operations, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

New standards, interpretations and amendments not yet effective

Certain new standards, amendments to standards and interpretations are not yet effective as of December 31, 2017 and have not been applied in preparing these financial statements.

Effective for annual periods beginning on or after January 1, 2018:

- New standard IFRS 9, Financial Instruments

  Partial replacement of IAS 39, Financial Instruments: Recognition and Measurement. This standard simplifies the current measurement model for financial instruments under IFRS and establishes two measurement categories for financial assets: amortized cost, and fair value. The existing IAS 39 categories of loans and receivables, held to maturity investments, and available for sale financial assets will be eliminated.

Effective for annual periods beginning on or after January 1, 2019:

- New standard IFRS 16, Leases

  All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, from the perspective of the lessee, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 Leases and, instead, introduces a single lessee accounting model. When applying that model, a lessee is required to recognize assets and liabilities. A lessor continues to classify its leases as operating leases or finance leases, and accounts for those two types of leases differently.

The Company has not early adopted these new standards and these standards are not expected to have a material effect on the financial statements.

4. CASH

	December 31, 2017	December 31, 2016
Canadian dollar denominated deposits held in Canada	$ 3,312	$ 174,514
US dollar denominated deposits held in Canada	2,278	21,856
Birr denominated deposits held in Ethiopia	167,216	263,940
Total	$ 172,806	$ 460,310

(Expressed in Canadian dollars)

5. TRADE AND OTHER PAYABLES

		December 31, 2017		December 31, 2016
Trade and other payables in Canada	$	26,398	$	3,365
Trade and other payables in Ethiopia		632		1,471
Amount due to related parties		89,831		31,399
Total	$	116,861	$	36,235

6. SHARE CAPITAL

a) Authorized share capital

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

b) Issued share capital

At December 31, 2017, the Company had 22,200,000 (2016 – 21,700,000) common shares issued and outstanding. A summary of changes in share capital is contained on the consolidated statements of changes in equity for the year ended December 31, 2017 and the period from incorporation on June 2, 2016 to December 31, 2016.

During the year ended December 31, 2017, the Company:

i) completed a non-brokered private placement through the issue of 500,000 units at $0.05 per unit for proceeds of $25,000. Each unit comprised one common share and one common share purchase warrant with each warrant exercisable to purchase one common share at an exercise price of $0.15 until September 23, 2021; and

ii) received $10,000 towards a non-brokered private placement that closed in January 2018 (Note 12) recorded as subscriptions received in advance as at December 31, 2017.

During the period from incorporation on June 2, 2016 to December 31, 2016, the Company:

i) issued 13,500,000 founder shares at $0.01 per share for gross proceeds of $135,000 of which $106,415 was paid in cash and $28,585 was for settlement of trade and other payables; and

ii) completed a non-brokered private placement through the issue of 8,200,000 units at $0.05 per unit for gross proceeds of $410,000. Each unit comprised one common share and one common share purchase warrant with each warrant exercisable to purchase one common share at an exercise price of $0.15 until September 23, 2021. The Company incurred share issue costs of $2,927.

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

c) Warrants

The continuity of warrants for the year ended December 31, 2017 is as follows:

Expiry date	*Exercise price*	Balance, December 31, 2016	Issued	Exercised	Expired	Balance, December 31, 2017
September 23, 2021	*$ 0.15*	8,200,000	-	-	-	8,200,000
September 23, 2021	*$ 0.15*	-	500,000	-	-	500,000
		8,200,000	500,000	-	-	8,700,000
Weighted average exercise price		$ 0.15	$ 0.15	$ -	$ -	$ 0.15

The continuity of warrants for the period from incorporation on June 2, 2016 to December 31, 2016 is as follows:

Expiry date	*Exercise price*	Balance, June 2, 2016	Issued	Exercised	Expired	Balance, December 31, 2016
September 23, 2021	*$ 0.15*	-	8,200,000	-	-	8,200,000
		-	8,200,000	-	-	8,200,000
Weighted average exercise price		$ -	$ 0.15	$ -	$ -	$ 0.15

7. PROJECT INVESTIGATION COSTS

During the year ended December 31, 2017 and the period from incorporation on June 2, 2016 to December 31, 2016, the Company incurred certain exploration expenditures such as consulting fees and travel related to the identification of exploration properties in Ethiopia.

	Year ended December 31, 2017	Period from incorporation on June 2, 2016 to December 31, 2016
Project investigation costs		
Consulting fees	$ 20,110	$ 4,533
Legal fees	103,157	-
Travel	91,584	56,793
Total	$ 214,851	$ 61,326

7. PROJECT INVESTIGATION COSTS (continued)

On November 11, 2017, as amended, the Company signed an option and joint venture shareholders' agreement (the "JV Agreement") with Ezana Mining Development plc ("Ezana") that became effective on December 12, 2017, when the conditions precedent were met. Pursuant to the JV Agreement, the Company has an option to earn up to 70% in Axum Metals SC ("Axum"), a newly incorporated company, that will hold the Terer and Meli exploration licenses once they are transferred to Axum from Ezana. The Company will earn a 51% interest in Axum upon completion of US$5 million in expenditures. To retain the 51% interest, the Company must then elect to continue to sole fund Axum through completion of a definitive feasibility study and Axum being issued a mining license to earn a total 67.5% interest in Axum. Within 60 days of the Company being granted a mining license, the Company will have an option to purchase a 2.5% interest in Axum from Ezana for a payment of US$6 million. The Company has full control of the program and funding while it is sole funding Axum.

In January 2018, the Company was awarded the Nefasit exploration license in Ethiopia (Note 12).

8. RELATED PARTY TRANSACTIONS

a) Consulting fees

During the year ended December 31, 2017, the Company paid or accrued $72,000 (period from incorporation on June 2, 2016 to December 31, 2016 - $24,000) to Golden Oak Corporate Services Ltd. ("Golden Oak"). Golden Oak is a consulting company controlled by a Director, Corporate Secretary of the Company. Golden Oak provides the services of a chief financial officer, a corporate secretary, and accounting and administrative staff to the Company. The Chief Financial Officer and the Corporate Secretary are employees of Golden Oak and are not paid directly by the Company.

b) Compensation of key management personnel

Key management includes members of the Board of Directors, the President and the Chief Executive Officer, the Vice President Exploration & Geology, the Vice President Project Development, the Chief Financial Officer, and the Corporate Secretary. The only members of key management paid by the Company were Golden Oak as disclosed above.

Amounts due to related parties for reimbursement of expenses are disclosed in Note 5. All amounts are unsecured and non-interest bearing.

(Expressed in Canadian dollars)

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

Financial instruments are classified into one of the following categories: FVTPL; AFS; loans and receivables; or other liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

		December 31, 2017	December 31, 2016
Cash	FVTPL	$ 172,806	$ 460,310
Receivables	Loans and receivables	5,117	2,086
Trade and other payables	Other financial liabilities	116,861	36,235

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

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

The Company's financial instruments consist of cash, receivables and trade and other payables. The fair value of receivables, trade and other payables approximate their fair value due to their short-term nature. Cash is recorded at fair value using Level 1 of the fair value hierarchy.

Risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized as follows:

Credit Risk
Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and receivables. The Company limits the exposure to credit risk in its cash by only investing its cash with high-credit quality financial institutions in business and savings accounts, guaranteed investment certificates and in government treasury bills which are available on demand by the Company for its programs. The Company`s receivables include balances receivable from the government of Canada.

Liquidity Risk
Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that there is sufficient capital in order to meet short-term business requirements. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next sixty days.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Risk Management (continued)

Market Risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity, political risk and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk: The Company is exposed to interest rate risk to the extent that its cash balances bear variable rates of interest. The interest rate risks on cash and on the Company's obligations are not considered significant.

(b) Foreign Exchange Risk: The Company expects to continue to raise equity predominately in Canadian dollars. The Company is primarily conducting business in Ethiopia. As such, it is subject to risk due to fluctuations in the exchange rate between the Canadian dollar and the BIRR. Management believes the foreign exchange risk related to currency conversions is minimal and therefore, does not hedge its foreign exchange risk. The effect of a one percent change in the foreign exchange rate on the cash held in BIRR at December 31, 2017 would be approximately $1,000.

(c) Commodity Price Risk: While the value of the Company's exploration and evaluation assets will be related to the price of gold and the outlook for this mineral, the Company currently does not have any operating mines and hence does not have any hedging or other commodity based risks in respect to its operational activities.

Historically, the price of gold has fluctuated significantly and is affected by numerous factors outside of the Company's control, including but not limited to industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors related specifically to gold.

(d) Political Uncertainty Risk: In conducting operations in Ethiopia, the Company is subject to considerations and risks not typically associated with companies operating in North America. These include risks such as the political, economic and legal environments. Among other things, the Company's results may be adversely affected by changes in the political and social conditions in Ethiopia, and by changes in governmental policies with respect to mining laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation.

(Expressed in Canadian dollars)

10. MANAGEMENT OF CAPITAL

The Company manages its common shares and warrants 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 acquisition of exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company is not subject to externally imposed capital requirements.

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, issue debt, acquire or dispose of assets, or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares expenditure forecasts that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. In order to maximize ongoing exploration efforts, the Company does not pay out dividends.

The Company's investment policy is to keep its cash treasury on demand deposit in an interest bearing Canadian chartered bank account. The Company is conducting property investigation activities.

11. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		Year ended December 31, 2017		**Period from incorporation on June 2, 2016 to December 31, 2016**
Loss for the period	$	(396,246)	$	(115,912)
Expected income tax recovery	$	(103,000)	$	(26,000)
Change in statutory, foreign tax, foreign exchange rates and other		3,000		(5,000)
Change in unrecognized deductible temporary differences		100,000		31,000
Total	$	-	$	-

The significant components of the Company's deferred tax assets are as follows:

		December 31, 2017		**December 31, 2016**
Deferred tax assets (liabilities)				
Exploration and evaluation assets	$	39,000	$	-
Non-capital losses available for future periods		92,000		31,000
Total unrecognized deferred tax assets	$	131,000	$	31,000

Deferred tax assets have not been recognized in these financial statements as it is not probable that they will be realized.

(Expressed in Canadian dollars)

11. INCOME TAXES (continued)

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

		December 31, 2017	Expiry date range
Temporary differences			
Exploration and evaluation assets		144,000	No expiry date
Non-capital losses available for future periods		328,000	
Canada		216,000	2036 to 2037
Ethiopia	$	112,000	2026 to 2027

Tax attributes are subject to review, and potential adjustment, by tax authorities.

12. SUBSEQUENT EVENTS

Subsequent to December 31, 2017, the Company completed the following transactions:

a) On January 1, 2018, the Company's wholly owned subsidiary Sun Peak Ethiopia Mining Plc was awarded an exploration license in Ethiopia known as the Nefasit license. To maintain the exploration license, the Company must spend US$204,412 in year 1, US$853,835 in year 2 and US$558,098 in year 3. The exploration license is valid through December 31, 2020; and

b) On January 18, 2018, the Company completed a non-brokered private placement through the issue of 11,662,265 common shares at $0.15 per share for proceeds of $1,749,340 of which $10,000 of subscriptions had been received in advance (Note 6).