**Compass Gold Corporation**

**Consolidated Financial Statements**

**Year Ended December 31, 2017**

**Expressed in Canadian Dollars**

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Compass Gold Corporation:

We have audited the accompanying consolidated financial statements of Compass Gold Corporation, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, 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, 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.

### Auditor's 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 auditor's 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, the consolidated financial statements present fairly, in all material respects, the financial position of Compass Gold Corporation as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Compass Gold Corporation's ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
April 27, 2018

An independent firm associated with Moore Stephens International Limited
MOORE STEPHENS

Compass Gold Corporation
Consolidated statements of financial position
(Expressed in Canadian dollars)

| | Note | December 31, 2017 | December 31, 2016 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash | | $ 5,436,302 | $ 1,775 |
| Receivables | 4 | 63,511 | 320 |
| Prepaids | | 1,450 | 1,313 |
| **Total Current Assets** | | **5,501,263** | **3,408** |
| **Non-Current assets** | | | |
| Exploration and Evaluation Asset | 5 | 6,267,622 | - |
| **Non-Current Assets** | | **6,267,622** | **-** |
| **TOTAL ASSETS** | | **$ 11,768,885** | **$ 3,408** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade payables and accrued liabilities | 6 | $ 218,484 | $ 58,790 |
| Other liabilities | 7 | - | 62,458 |
| **TOTAL LIABILITIES** | | **218,484** | **121,248** |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 9 | 22,272,527 | 10,286,129 |
| Share-based payment reserve | 10 | 2,687,008 | 1,953,146 |
| Deficit | | (13,409,134) | (12,357,115) |
| **TOTAL SHAREHOLDERS' EQUITY** | | **11,550,401** | **(117,840)** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **$ 11,768,885** | **$ 3,408** |

**NATURE AND CONTINUANCE OF OPERATIONS** 1

**ON BEHALF OF THE BOARD**

/s/ Larry Phillips

Larry Phillips, Chief Executive Office

/s/ Lou Nagy

Lou Nagy, Chief Financial Officer

Compass Gold Corporation
Consolidated statements of comprehensive loss
(Expressed in Canadian dollars)

| | Note | Year ended December 31, 2017 | Year ended December 31, 2016 |
|---|---|---|---|
| **EXPENSES** | | | |
| Management and advisory fees | 11 | $ 252,250 | $ - |
| Professional fees | | 91,663 | 15,877 |
| Consulting fees | | 64,888 | 12,000 |
| Travel expenses | | 45,939 | - |
| Listing and registration fees | | 43,084 | 16,695 |
| General and administrative expenses | | 23,338 | 6,716 |
| Insurance | | 6,242 | 7,518 |
| Interest and bank charges | 11 | 4,288 | 5,920 |
| Foreign exchange loss | | 3,393 | - |
| Share based compensation | 10,11 | 343,234 | - |
| **TOTAL EXPENSES** | | **(878,319)** | **(64,726)** |
| **OTHER ITEMS** | | | |
| Loss on debt settlements | 9 | (173,700) | - |
| **NET AND COMPREHENSIVE LOSS** | | **$ (1,052,019)** | **$ (64,726)** |
| **LOSS PER SHARE – BASIC AND DILUTED*** | | $ (0.24) | $ (0.09) |
| **WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – BASIC AND DILUTED*** | | 4,447,418 | 760,996 |

** * Note – During the year ended December 31, 2017 the Company completed the Share Consolidation (see note 7(a) – Share consolidation). All share and per share numbers, including comparatives, have been adjusted to reflect the effect of the Share Consolidation.*

Compass Gold Corporation
Consolidated statements of changes in shareholders' equity
(Expressed in Canadian dollars)

| | | Share Capital | | | | |
|---|---|---|---|---|---|---|
| | Note | Number of shares* | Amount | Share-based payment reserve | Deficit | Total Equity |
| **Balance at January 1, 2016** | | 760,999 | $ 10,286,129 | $ 1,953,146 | $ (12,292,389) | $ (53,114) |
| Net and comprehensive loss | | - | - | - | (64,726) | (64,726) |
| **Balance at December 31, 2016** | | 760,999 | 10,286,129 | 1,953,146 | (12,357,115) | (117,840) |
| Shares issued pursuant to private placement | 9(b) | 2,000,000 | 500,000 | - | - | 500,000 |
| Shares issued for debt | 9(c) | 380,952 | 133,333 | 51,352 | - | 184,685 |
| Shares issued for purchase of Mali Gold | 9(e) | 12,000,000 | 6,000,000 | - | - | 6,000,000 |
| Shares issued pursuant to private placement | 9(d) | 12,000,000 | 6,000,000 | - | - | 6,000,000 |
| Shares issued for services | 9(f) | 200,000 | 100,000 | 89,015 | - | 189,015 |
| Share based compensation | 10 | - | - | 343,234 | - | 343,234 |
| Share issuance costs | 9 | - | (746,935) | 250,261 | - | (496,674) |
| Net and comprehensive loss | | - | - | - | (1,052,019) | (1,052,019) |
| **Balance at December 31, 2017** | | 27,341,951 | $ 22,272,527 | $ 2,687,008 | $ (13,409,134) | $ 11,550,401 |

** Note – During the year ended December 31, 2017 the Company completed the Share Consolidation (see note 7(a) – Share consolidation). All share and per share numbers, including comparatives, have been adjusted to reflect the effect of the Share Consolidation.*

(Expressed in Canadian dollars)

| | Year ended December 31, 2017 | Year ended December 31, 2016 |
|---|---|---|
| **CASH FLOWS USED IN OPERATING ACTIVITIES** | | |
| Net loss | $ (1,052,019) | $ (64,726) |
| Adjustment for items not affecting cash: | | |
| Stock based compensation | 343,234 | - |
| Loss on debt settlements | 173,700 | - |
| Changes in non-cash working capital items: | | |
| Receivables | (62,155) | 197 |
| Prepaids | (137) | (1,313) |
| Trade payable and accrued liabilities | 118,768 | 18,453 |
| Cash flows used in operating activities | (478,609) | (47,389) |
| | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Cash acquired in the acquisition of subsidiary | 4,706 | - |
| Acquisition costs | (102,000) | - |
| Exploration and evaluation expenditure | (30,438) | - |
| Cash flows from investing activities | (127,732) | - |
| | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Advance of loan | 37,542 | 47,326 |
| Private placement funds received | 6,500,000 | - |
| Share issuance costs | (496,674) | - |
| Cash flows from financing activities | 6,040,868 | 47,326 |
| | | |
| **NET CHANGE IN CASH** | 5,434,527 | (63) |
| **CASH, BEGINNING** | 1,775 | 1,838 |
| **CASH, ENDING** | $ 5,436,302 | $ 1,775 |
| | | |
| **Supplemental cash flow information:** | | |
| Exploration and evaluation expenditures included in accounts payable | $ 64,347 | $ - |

**1. Nature and continuance of operations**

Compass Gold Corporation (the "Company") was incorporated on July 1, 2002, under the laws of Alberta and continued into British Columbia, Canada, and its principal activity is the acquisition and exploration of mineral properties. The Company's shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "CVB.V". The registered and head office of the Company is located at Suite 800, 789 West Pender Street, Vancouver, British Columbia, Canada, V6E 4G1.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. At December 31, 2017, the Company had recently completed the acquisition of Mali Gold Exploration Pty Ltd ("MGE") (Note 8) together with a $6,000,000 financing (Note 9(d)). The Company's continuation as a going concern is dependent upon its ability to raise equity capital or borrowings sufficient to meet current and future obligations. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with available cash on hand and/or private placement of common shares, if required.

**2. Significant accounting policies and basis of preparation**

The financial statements were authorized for issue on April 27, 2018 by the directors of the Company.

***Statement of Compliance with International Financial Reporting Standards***

The consolidated financial statements of the Company comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

***Basis of preparation***

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

***Consolidation***

The consolidated financial statements include the accounts of the Company and its controlled entities. Details of the controlled entities are as follows:

| | | Percentage owned* | |
|---|---|---|---|
| | **Country of incorporation** | **December 31, 2017** | **December 31, 2016** |
| Exploration Azteca S.A De.C.V | Mexico | 100% | 100% |
| Mail Gold Exploration PTY LTD | Australia | 100% | NA |
| SERM sarl | Republic of Mali | 100% | NA |
| REM sarl | Republic of Mali | 100% | NA |
| ML Commodities sarl | Republic of Mali | 100% | NA |

*Percentage of voting power is in proportion to ownership.

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

**2. Significant accounting policies and basis of preparation (cont'd)**

***Significant estimates and assumptions***

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation relate to fair value measurements for financial instruments and stock-based compensation and other equity-based payments, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates.

***Significant judgments***

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification of financial instruments; and
- the determination of the functional currency of the parent company and its subsidiaries.

***Foreign currency translation***

The functional currency of the Company and its subsidiaries, being the primary economic environment in which that entity operates, is Canadian Dollars. The consolidated financial statements are presented in Canadian dollars.

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

**2. Significant accounting policies and basis of preparation (cont'd)**

***Exploration and evaluation expenditures***

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 capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Once the technical feasibility and 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 mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

***Share-based payments***

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share based payment reserve. The fair value of options is determined using the Black–Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

***Financial instruments***

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. The Company has no financial assets classified at fair value through profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company classifies cash and receivable as loans and receivables.

**2. Significant accounting policies and basis of preparation (cont'd)**

***Financial instruments (cont'd)***

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Company has no financial assets classified as held-to-maturity investments.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive loss, except for impairment losses and foreign exchange gains and losses. The Company has no financial assets classified as available-for-sale investments.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. The Company's non-derivative financial liabilities include trade payables and other liabilities.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

The Company' does not have any derivative financial assets or financial liabilities.

***Impairment of assets***

The carrying amount of the Company's assets (which include exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

**2. Significant accounting policies and basis of preparation (cont'd)**

***Restoration and environmental obligations***

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

***Income taxes***

Current income tax:

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

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

Deferred income tax:

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(Expressed in Canadian dollars)

## 3. Accounting standards issued by not yet effective

***IFRS 9 "Financial Instruments" ("IFRS 9")***

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018. The Company has not early adopted this standard and management has assessed that this standard will have no impact on its consolidated financial statements.

***IFRS 16 "Leases" ("IFRS 16")***

IFRS 16 replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019. The Company has not yet assessed the future impact of this new standard on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

## 4. Receivables

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| **Taxes Recoverable** | **$ 63,511** | **$ 320** |

## 5. Exploration and evaluation assets

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Acquisition of Sikasso Property (Note 8) | $ 6,172,837 | $ - |
| Exploration expenditure incurred and capitalized | 94,785 | - |
| | **$ 6,267,622** | **$ -** |

The exploration and evaluation assets comprise the Ouassada, Kalé, Sankarani, Kourou and Tieoulena gold exploration permits, collectively referred to as the Sikasso Property. All permits are for properties located in the gold producing regions of Mali. The Sikasso property was acquired as part of the Acquisition of Mali Gold Exploration in November 2017 (refer Note 8).

The Ouassada, Kalé, Sankarani, Kourou and Tieoulena permits were all granted to subsidiaries of the Company in February 2011. The permits are effective for three years, and the Company may renew the permits twice for additional three year periods. All these permits have been renewed in the ordinary course of operations. In order to maintain these permits in good standing, the Company was required to incur minimum exploration expenditures on each of the permits. No further expenditure commitments were required during each of the renewal periods and there are no outstanding expenditure commitments.

(Expressed in Canadian dollars)

## 5. Exploration and evaluation assets (Cont'd)

In May 2012, MGE granted to certain shareholders at the time, and who are now directors of the Company, a joint 2% Net Smelter Royalty over the Ouassada, Kalé, Sankarani, Kourou and Tieoulena permits, which remains in place.

## 6. Trade payables and accrued liabilities

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Trade payables | $ 88,493 | $ 2,417 |
| Amounts due to related parties (Note 11) | 87,446 | 39,000 |
| Accrued liabilities | 42,545 | 13,857 |
| Accrued interest (Note 11) | - | 3,516 |
| | **$ 218,484** | **$ 58,790** |

## 7. Other liabilities

| **Loan from director** | **December 31, 2017** | **December 31, 2016** |
|---|---|---|
| Balance, beginning of year | $ 62,458 | $ 15,132 |
| Additions | - | 47,326 |
| Loan assigned to third parties | (59,000) | - |
| Loan repaid | (3,458) | - |
| **Balance, end of year** | **$ -** | **$ 62,458** |

| **Loan from third parties** | **December 31, 2017** | **December 31, 2016** |
|---|---|---|
| Balance, beginning of year | $ - | $ - |
| Additions | 41,000 | - |
| Loan assigned to third parties | 59,000 | - |
| Shares for debt transaction | (100,000) | - |
| **Balance, end of year** | **$ -** | **$ -** |

During the year ended December 31, 2016, a company controlled by a director advanced funds to the Company. This loan was unsecured and repayable on demand. Interest was charged at a rate of 10% per annum (Note 11).

During the year ended December 31, 2017, $59,000 of the loan from the director was assigned to third parties. These third parties also advanced other funds to the Company. These loans were assigned/advanced on the same terms and conditions as the original loan from the director.

On May 15, 2017, $100,000 of loans was converted to equity under a share for debt transaction agreed to by the Company (Note 9).

There are currently no loan arrangements in place with any related party.

## 8. Acquisition of Mail Gold Exploration

The consolidated financial statements have been prepared to give effect to the acquisition of 100% of MGE, a company incorporated in the Commonwealth of Australia, through the issue of shares, such that MGE becomes an indirect wholly-owned subsidiary of the Company (the "Transaction").

Upon closing of the Transaction, MGE became a wholly-owned subsidiary of the Company. MGE holds, through subsidiaries, the Sikasso Property comprising five (5) gold exploration licenses in Mali, West Arica covering established gold producing regions of Mali. The Company has now taken over MGE's business of gold mineral exploration in Mali.

(Expressed in Canadian dollars)

**8. Acquisition of Mail Gold Exploration (Cont'd)**

In accordance with IFRS 3 Business Combinations, a business combination is a transaction in which an acquirer obtains control of a business which is defined as an integrated set of activities and assets that is capable of being conducted and managed to provide a return to investors. For an integrated set of activities and assets to be considered a business, the set needs to contain inputs and processes. This acquisition does not meet the definition of a business combination, as the primary asset is the Sikasso Property, which is still in the exploration stage. Consequently, the transaction has been recorded as an acquisition of an asset. The results of operations from MGE are included in the consolidated financial statements since the date of acquisition.

On November 29, 2017, the Company completed the acquisition by issuing 12,000,000 common shares to MGE Shareholders. In addition the Company incurred $102,000 in costs relating to the acquisition, which have been included as part of the acquisition cost.

A summary of the consideration paid is set out below:

| | | November 29, 2017 |
|---|---|---|
| 12,000,000 common shares (Note 9) | $ | 6,000,000 |
| Cash costs of acquisition | | 102,000 |
| | **$** | **6,102,000** |

A summary of the fair value of the identifiable net assets acquired is set out below:

| | | November 29, 2017 |
|---|---|---|
| **Assets** | | |
| Cash | $ | 4,706 |
| Taxes recoverable | | 1,036 |
| Exploration and evaluation asset (Note 5) | | 6,172,837 |
| **Total Assets** | | **6,178,579** |
| | | |
| **Liabilities** | | |
| Accounts Payable and accruals | | 11,095 |
| Accounts Payable and accruals – due to related parties | | 65,484 |
| **Total Liabilities** | | **76,579** |
| **Fair value of net assets acquired** | **$** | **6,102,000** |

**9. Share capital**

***Authorized share capital***
Unlimited number of common shares without par value.

***Issued share capital***
At December 31, 2017 there were 27,341,951 issued and fully paid common shares (2016 – 760,999).

***Escrow shares***

At December 31, 2017, there were 7,535,197 shares in escrow (2016 – Nil).

***Basic and diluted loss per share***
The calculation of basic and diluted loss per share for the year ended December 31, 2017 was based on the loss attributable to common shareholders of $1,052,019 (2016 - $64,726) and the weighted average number of common shares outstanding of 4,447,418 (2016 – 760,999). Diluted loss per share did not include the effect of the stock options outstanding as the effect would be anti-dilutive.

**9. Share capital (Cont'd)**

***(a) Share Consolidation***

On November 29, 2017, prior to the acquisition of MGE, the Company completed a consolidation of its common shares on the basis of one (1) new post-consolidation share for every five (5) pre-consolidation common shares. All share and per share information in these consolidated financial statements have been restated to reflect the impact of the share consolidation

***(b) Private Placement May 2017***

On May 4, 2017, the Company closed a private placement to raise gross proceeds of $500,000 by the issue of 2,000,000 units at a price of $0.25 per unit. Each unit is comprised of one common share and one transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.35 per share until May 4, 2018.

As part of the private placement, cash finders' fees totalling $22,750 were paid and 84,000 broker warrants were issued to qualified persons acting as finders. Each broker warrant is exercisable into units of the private placement at a price of $0.35 per unit until May 4, 2018. Each broker warrant comprises of one common share of the Company and one non-transferable warrant entitling the holder to purchase one additional common share of the Company at a price of $0.35 per share until May 4, 2018. The fair value of broker warrants issued in this placement was estimated at $11,323. Additional share issuance costs of $12,500 were incurred related to this private placement.

***(c) Shares for debt May 2017***

On May 11, 2017, the Company issued a total of 380,952 units in the Company to settle a total of $100,000 of loans. Each unit is comprised of one common share and one transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.35 per share until May 11, 2018. The fair value of the common shares is $133,333 and the fair value of the warrants is $51,352, resulting in a total fair value of $184,685 and a loss on debt settlement of $84,685.

***(d) Private Placement November 2017***

Immediately prior to closing the acquisition of MGE, on November 29, 2017, the Company closed a private placement to raise gross proceeds of $6,000,000 by the issuance of 12,000,000 units at a price of $0.50 per unit. Each unit is comprised of one common share and one transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.75 per share until November 29, 2020.

As part of the private placement, cash finders' fees totalling $154,424 were paid and 536,849 brokers' warrants were issued to qualified persons acting as finders. Each broker warrant is exercisable into units of the Company at a price of $0.50 per unit until November 29, 2019. Each broker warrant comprises one common share of the Company and one non-transferrable warrant entitling the holder to purchase one additional common share of the Company at a price of $0.75 per share until November 29, 2020. The fair value of the broker warrants issued in this private placement was estimated at $238,938. Additional share issuance costs of $307,000 were incurred related to this private placement.

***(e) Acquisition of Mali Gold Exploration Ltd. ("MGE")***

On November 29, 2017, the Company issued 12,000,000 common shares to MGE shareholders in exchange for 100% of the outstanding shares of MGE (Note 8). Upon closing, MGE became a wholly owned subsidiary of the Company.

The fair value of each share of $0.50 per share is based on the value of the private placement completed immediately prior to this transaction. The total value of the shares issued under this transaction is $6,000,000.

(Expressed in Canadian dollars)

**9. Share capital (Cont'd)**

***(f) Shares for Service - Acquisition of MGE***

In connection with the concurrent private placement (note 9(d)), a financial advisor was paid 200,000 units, under the same terms as the financing in note 9 (d), which is equal to 200,000 common shares and 200,000 warrants. Each warrant is exercisable at a price of $0.75 per unit until November 29, 2020. The fair value of the common shares is $100,000 and the fair value of the warrants is $89,015, resulting in a total fair value of $189,015 and a loss on debt settlement of $89,015.

***Broker Warrants***

| | December 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| | **Number of options*** | **Weighted average exercise price* ($)** | **Number of options*** | **Weighted average exercise price* ($)** |
| Warrants outstanding, beginning | - | - | - | - |
| Warrants granted | 620,849 | 0.48 | - | - |
| Warrants outstanding, ending | 620,849 | 0.48 | - | - |

** The number of warrants and the warrant exercise prices have been adjusted to reflect the impact of the Share Consolidation.*

Details of broker warrants outstanding as at December 31, 2017 are as follows:

| Expiry Date | Ref | Weighted average exercise price ($) | Warrants Outstanding | Weighted average Contractual Life (Years) |
|---|---|---|---|---|
| May 4, 2018 | Note 9 (b) | 0.35 | 84,000 | 0.34 |
| November 29, 2019 | Note 9 (d) | 0.50 | 536,849 | 1.91 |
| | | 0.48 | 620,849 | 0.36 |

** The number of warrants and the warrant exercise prices have been adjusted to reflect the impact of the Share Consolidation.*

The fair values of the broker warrants issued for the year ended December 31, 2017 were estimated using the Black-Scholes Option Pricing Model with the following assumptions:

| | **2017** |
|---|---|
| Risk free interest rate | 0.72%-1.43% |
| Expected dividend yield | Nil |
| Expected volatility | 100% |
| Expected life | 1 - 2 years |

(Expressed in Canadian dollars)

**9. Share capital (Cont'd)**

***Warrants***

The changes in warrants during the years ended December 31, 2017 and 2016 as follows:

| | December 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| | Number of warrants* | Weighted average exercise price*($) | Number of warrants* | Weighted average exercise price* ($) |
| Warrants outstanding, beginning of year | - | - | - | - |
| Warrants issued | 14,580,952 | 0.68 | - | - |
| Warrants outstanding, end of year | 14,580,952 | 0.68 | - | - |

** The number of warrants and the warrant exercise prices have been adjusted to reflect the impact of the Share Consolidation.*

Details of warrants outstanding as at December 31, 2017 are as follows:

| Expiry Date | Ref | Weighted average exercise price ($) | Options Outstanding | Weighted average Contractual Life (Years) |
|---|---|---|---|---|
| May 4, 2018 | Note 9(b) | 0.35 | 2,000,000 | 0.34 |
| May 11, 2018 | Note 9(c) | 0.35 | 380,952 | 0.37 |
| November 29, 2019 | Note 9(f) | 0.75 | 200,000 | 2.92 |
| November 29, 2019 | Note 9(d) | 0.75 | 12,000,000 | 2.92 |
| | | 0.68 | 14,580,952 | 2.50 |

** The number of warrants and the warrant exercise prices have been adjusted to reflect the impact of the Share Consolidation.*

**10. Reserves**

***Share-based payment reserve***

The share-based payment reserve records items recognized as stock-based compensation expense until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

***Stock options***

The Company has a stock option plan (the "Plan"), under which the Company may grant options to directors, officers, employees, and third party service providers. Under the terms of the Plan that was re-approved by the shareholders on November 16, 2017, the Company is authorized to issue a maximum of 10% of the issued and outstanding shares.

The purpose of the Plan is to attract, retain and motivate directors, officers, and certain third party service providers by providing them with the opportunity to acquire a proprietary interest in the Company and benefit from its growth. The options granted under the Plan are non-assignable, have a term of up to 10 years and vest over periods of up to two years from the date of issue.

(Expressed in Canadian dollars)

**10. Reserves (Cont'd)**

The changes in options during the years ended December 31, 2017 and 2016 as follows:

| | December 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| | Number of options* | Weighted average exercise price* ($) | Number of options* | Weighted average exercise price* ($) |
| Options outstanding, beginning | 500 | 24.00 | 750 | 26.89 |
| Options expired | (500) | (24.00) | (250) | 31.00 |
| Options granted | 2,145,000 | 0.50 | - | - |
| Options outstanding, ending | 2,145,000 | 0.50 | 500 | 24.00 |

** The number of options and the option exercise prices have been adjusted to reflect the impact of the Share Consolidation.*

Details of options outstanding as at December 31, 2017 are as follows:

| Expiry Date | Weighted average exercise price ($) | Options Outstanding | Options Exercisable | Weighted average Contractual Life (Years) |
|---|---|---|---|---|
| December 31, 2018 | 0.50 | 120,000 | 120,000 | 1.00 |
| December 31, 2022 | 0.50 | 2,025,000 | 675,000 | 5.00 |
| | 0.50 | 2,145,000 | 795,000 | 4.78 |

** The number of options and the option exercise prices have been adjusted to reflect the impact of the Share Consolidation.*

During the year ended December 31, 2017, the Company granted 2,145,000 (2016 – nil) new options. 120,000 of the options vest immediately and 2,025,000 vest as one-third on the date of grant and one-third on each of the first and second anniversary of the grant. The Company recognized a total expense of $343,234 for the year ended December 31, 2017 (2016 - $nil) in respect of the options vesting during the year. Share based payments expense is included in general and administrative costs.

The fair values of the options issued for the year ended December 31, 2017 were estimated using the Black-Scholes Option Pricing Model with the following assumptions:

| | 2017 |
|---|---|
| Risk free interest rate | 1.41% |
| Expected dividend yield | Nil |
| Expected volatility | 100% |
| Expected life | 1 - 5 years |

(Expressed in Canadian dollars)

## 11. Related party transactions

***Related party balances***

The following amounts due to related parties are included in trade payables and accrued liabilities:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Directors and officers of the Company (Note 6) – trade payables and accruals | $ 87,446 | $ 39,000 |
| Directors of the Company (Note 6) – interest accrued | - | 3,516 |
| | $ 87,446 | $ 42,516 |

These amounts are unsecured, non-interest bearing and are payable on demand.

The following amounts due to related parties are included in other liabilities:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Directors of the Company (Note 7) | $ Nil | $ 62,458 |

These amounts are unsecured, payable on demand and subject to interest at a rate of 10% per annum.

***Related party transactions***

The Company incurred the following transactions with directors and companies that are controlled by directors of the Company.

| | Year Ended December 31, 2017 | Year Ended December 31, 2016 |
|---|---|---|
| Management and director fees | $ 252,250 | $ 12,000 |
| Interest expense | 1,582 | 3,516 |
| Share based compensation | 343,234 | - |
| Total | $ 597,066 | $ 15,516 |

## 12. Income taxes and deferred tax assets and liabilities

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

| | Year ended December 31, 2017 | Year ended December 31, 2016 |
|---|---|---|
| Net loss | $ (1,052,019) | $ (64,726) |
| Statutory tax rate | 26% | 26% |
| Expected income tax recovery at the statutory tax rate | (273,228) | (16,829) |
| Non-deductible items and other | (67,576) | - |
| Temporary differences not recognized | 340,804 | 16,829 |
| Income tax recovery | $ - | $ - |

(Expressed in Canadian dollars)

**12. Income taxes and deferred tax assets and liabilities (Cont'd)**

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized on the basis that it is uncertain that these deductible temporary differences will be utilized:

| | Year ended December 31, 2017 | Year ended December 31, 2016 |
|---|---|---|
| Non-capital loss carry-forwards | $ 1,527,472 | $ 1,290,066 |
| Unrealized capital losses | 1,424,999 | 1,424,999 |
| Exploration and evaluation assets | 22,912 | - |
| Share issuance costs and other | 82,645 | 2,159 |
| | $ 3,058,028 | $ 2,717,224 |

The tax pools relating to these deductible temporary differences expire as follows:

| | Canadian non-capital losses | Canadian unrealized capital losses | Canadian resource pools | Canadian Share issue costs |
|---|---|---|---|---|
| 2029 | $ 134,731 | $ - | $ - | $ - |
| 2030 | 314,117 | - | - | - |
| 2031 | 2,023,461 | - | - | - |
| 2032 | 1,320,172 | - | - | - |
| 2033 | 706,098 | - | - | - |
| 2034 | 211,723 | - | - | - |
| 2035 | 150,180 | - | - | - |
| 2036 | 101,273 | - | - | - |
| 2037 | 800,530 | - | - | - |
| No expiry | - | 5,480,766 | 88,122 | 317,340 |
| | $ 5,762,285 | $ 5,480,766 | $ 88,122 | $ 317,340 |

**13. Segmented information**

***Operating segments***
The Company operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties.

***Geographic segments***
The Company's exploration and evaluation assets are based solely in Mali.

**14. Financial instruments and capital management**

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

***Credit risk***
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in its bank account. The majority of cash is held in a bank account with a major bank in Canada. As the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

(Expressed in Canadian dollars)

## 14. Financial instruments and capital management (cont'd)

***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 has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's source of funding has been the issuance of equity securities for cash, primarily through private placements as well as a loan facility. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

All of the Company's financial liabilities as at December 31, 2017 are due within one year of the financial period end date.

***Foreign exchange risk***

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. As at December 31, 2017, there are no financial assets and liabilities denominated in a currency other than the functional currency of the entity holding the financial asset or liability.

***Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At December 31, 2017, the Company does not have any financial instruments recorded that bear interest at variable rates and therefore interest rate risk is not considered significant.

***Classification of financial instruments***

Financial assets included in the statement of financial position are as follows:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Loans and receivables: | | |
| Cash | $ 5,436,302 | $ 1,775 |

Financial liabilities included in the statement of financial position are as follows:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Non-derivative financial liabilities: | | |
| Trade payables | $ 88,493 | $ 2,417 |

**14. Financial instruments and capital management (cont'd)**

***Fair value***

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

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

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

The Company's financial assets and liabilities classified at Level 1 consist of cash and investments.

***Capital Management***

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of share and working capital.

There were no changes in the Company's approach to capital management during the year and the Company is not subject to any externally imposed capital requirements.

**COMPASS GOLD CORPORATION**

**MANAGEMENT DISCUSSION AND ANALYSIS**
**FOR THE YEAR ENDED DECEMBER 31, 2017**

*The following management discussion and analysis ("MD&A") of financial results is dated April 27, 2018 and reviews the business activities of Compass Gold Corporation ("Compass" or the "Company") and its subsidiaries, for the year ended December 31, 2017, and describes the Company's business operations through to the date of this MD&A. The MD&A should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017 and the notes attached thereto ("Audited Financial Statements"). This MD&A and the accompanying Financial Statements for the year ended December 31, 2017 have been reviewed by the Company's Audit Committee and approved by the Company's Board of Directors.*

*Statements in this MD&A that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. The Company does not assume the obligation to update any forward-looking statement, except as required by applicable law.*

*Management is responsible for the presentation and integrity of the audited consolidated financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company's board of directors (the "Board") follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board's audit committee meets with management regularly to review the financial statements and the MD&A, and to discuss other financial, operating and internal control matters.*

*All figures are reported in Canadian dollars ("$") unless otherwise stated.*

## HIGHLIGHTS

- On November 29, 2017, the Company announced the completion of the acquisition of all of the issued and outstanding shares of Mali Gold Exploration Pty Ltd ("MGE") ("Acquisition"). Pursuant to the Acquisition, the Company issued 12,000,000 Post-Consolidation Shares to MGE Shareholders. Upon closing of the Acquisition, MGE became a wholly-owned subsidiary of Compass.

- Concurrent with this Acquisition of MGE, the Company completed;
  - a one-for-five share consolidation;
  - a non-brokered private placement of units to raise gross proceeds of $6,000,000 at a purchase price of $0.50 per unit; and,
  - common shares of the Company commenced trading on the TSX Venture Exchange as a Tier 2 issuer under the symbol "**CVB**".

- The Company initiated a new exploration program in early December 2017. The priority anomaly target had been identified on the Ouassada property, part of the Yanfolila permit block in the northwestern portion of Compass's property area. This is the first of 35 near-surface gold targets the Company plans to examine on its properties during 2018

- On May 4, 2017, the Company closed a private placement to raise gross proceeds of $500,000 by the issue of 2,000,000 units at a price of $0.25 per unit.

## 1. COMPANY OVERVIEW

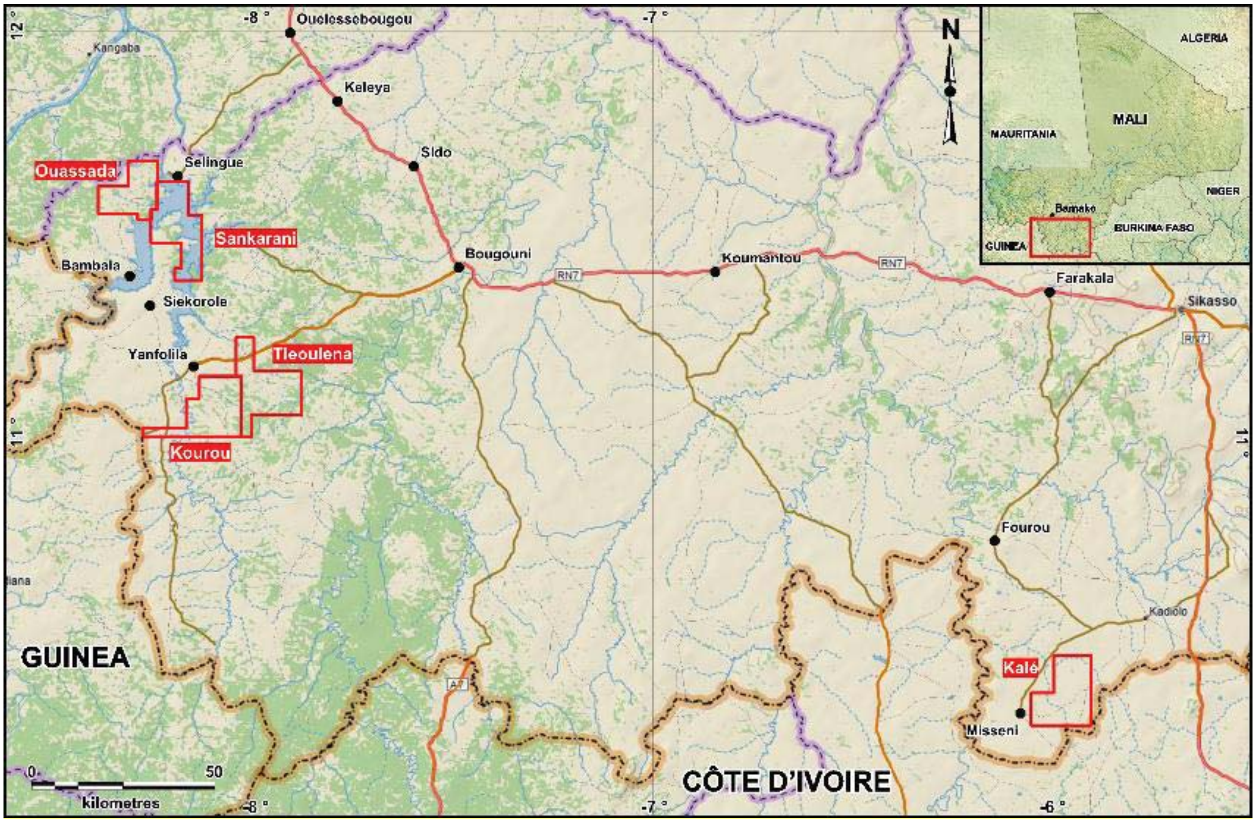
Compass, a public company having been continued from British Columbia to Ontario, is a Tier 2 issuer on the TSX-V. Through the recent Acquisition of MGE and its Malian subsidiaries, Compass holds gold exploration permits located in Mali that comprise the Sikasso Property. The exploration permits are located in three sites in southern Mali with a combined land holding of 1,179 sq. km. The Sikasso Property is located in the same region as several other multi-million ounce gold projects, including Morila, Syama, Kalana and Yanfolila. The Company's Mali-based technical team, led in the field by Dr. Madani Diallo and under the supervision of Dr. Sandy Archibald, P.Geo, is initiating a new exploration program. They are examining the first of numerous anomalies noted for further investigation in Dr. Archibald's August 2017 "National Instrument 43-101 Technical Report on the Sikasso Property, Southern Mali."

## 2. MINERAL PROPERTY

MGE holds, through subsidiaries, the Sikasso Property comprising five (5) gold exploration permits in Mali, West Arica covering a total area of 1,179 sq. km in established gold producing regions of Mali. The Company has now taken over MGE's business of gold mineral exploration in Mali.

The Sikasso Property comprises five exploration permits (see map below) at the following three sites:

- **Ouassada** and **Sankarini**;
- **Tiéouléna** and **Kourou**; (these four collectively referred to as the **Yanfolila Block**); and,
- **Kalé**.




As of December, 31 2017, the Company had only incurred $94,785 of exploration and development costs which represents one month of exploration activity since the acquisition of the mineral properties were completed on November 29, 2017.

As of December 31, 2017, the Company's acquisition costs include $6,172,838. For further information please refer to note 5 of the related consolidated financial statements for the year ended December 31, 2017.

## EXPLORATION ACTIVITY - November 30, 2017 to April 30, 2018

### Initial Exploration Program

The Company's Mali-based technical team, led in the field by Dr. Diallo and under the supervision of Dr. Archibald, initiated Compass's new exploration program in December 2017. This work is focused on examining the first of at least 35 anomalies noted for further investigation in the August 2017 "National Instrument 43-101 Technical Report on the Sikasso Property, Southern Mali." The primary objective of the overall program is to test anomalies that had been previously identified primarily through airborne surveying and interpretation of the area.

The first area examined was on the Ouassada permit area, part of the Yanfolila permit in the northwestern portion of Compass's property area. Four local geologists, led by Dr. Diallo, began conducting shallow soil geochemical sampling on the site in December 2017.

This first targeted anomaly, which was previously identified by Dr. Diallo and his team and partners, covers an area of approximately 60 sq. km.

The objective of the first stage of the drill program was to investigate the 12 discrete gold targets previously identified on the Ouassada permit area. This work was combined with a geochemical and auger drilling orientation survey to determine the most efficient method of assessing geophysical and geochemical targets in the permits. Based on the results of the initial sampling, Compass intends to conduct deeper reverse circulation and diamond drilling to determine the level of potentially economic mineralization in the bedrock.

**Results of Initial Exploration Program**

Results of the Company's initial phase of the exploration program were announced on February 28, 2018 and April 3, 2018. The targets were identified by interpreting airborne geophysical data, the presence of an extensive zone of artisanal mining (containing bedrock, vein-hosted, gold mineralization) and the similarity of the geological and structural setting to the Yanfolila gold mine, located 40 km along strike to the southwest.

The February 28, 2018 announcement reported a total of 2,342 shallow geochemical samples had been collected in a 4-km wide, 15-km long, north-northwest-trending zone within the permit (Target Area 1 – see figure below).

Highlights

- Two parallel, northwest-trending gold anomalies were identified over strike lengths up to 12 km and widths up to 1 km.
- Highest soil samples contain 3,800 parts per billion (ppb) gold (Au) (3.8 grams per tonne (g/t) Au) 550 m north of artisanal workings at Farabrakoura, and 1,200 ppb Au from a surface nodular iron oxide 350 m west of the workings at Farabrakoura. Highest gold concentrations are associated with areas near current artisanal gold workings, although anomalous samples are not restricted to known workings.
- A total of 2,342 shallow geochemical samples were collected over the main target area on the Ouassada permit where the average gold background for shallow soil samples was 5 ppb and 8 ppb for nodular iron oxide samples.
- Deep soil auger sampling continued on the primary target area while the near surface geochemistry teams moved to the next target areas on the Ouassada and Sankarani permits.

The April 3, 2018 announcement reported the results of 1,139 additional shallow soil samples, collected over two broad zones within the Ouassada permit (target areas 2 and 3).

Highlights

- Four additional parallel, northwest-trending gold anomalies were identified over strike lengths up to 12 km and widths up to 2 km (see Figure below), bringing the total to nine.

- Highest soil samples contain 3,800 parts per billion (ppb) gold (Au) (3.8 grams per tonne (g/t) Au) 550 m north of artisanal workings at Farabakoura. The highest gold concentrations were not restricted to areas of known workings.
- In this latest round of work, a total of 1,139 shallow soil samples were collected on the Ouassada permit where the average gold background for shallow soil samples was 5 ppb.
- Deep soil auger sampling at Ouassada was now 90% complete, and the shallow soil sampling was underway on the Sankarani permit with 88% of the samples collected.
- High-resolution airborne geophysical interpretation, and structural and hyperspectral remote sensing (satellite) studies had been initiated.

Shallow soil geochemistry assays have now been received on target zones 1, 2 and 3 on the Ouassada permit. The nine linear gold shallow soil anomalies correlated with structures present in the airborne magnetic data, and are highly encouraging. The Company looks forward to the infill shallow soil assays, and the result of the soil auger study. When all the geochemistry results are compiled and analyzed, they will form the basis for identifying bedrock drilling targets. This deeper drilling program is expected to be implemented in late Q2.

Overall, the work program is currently progressing on time and within budget.

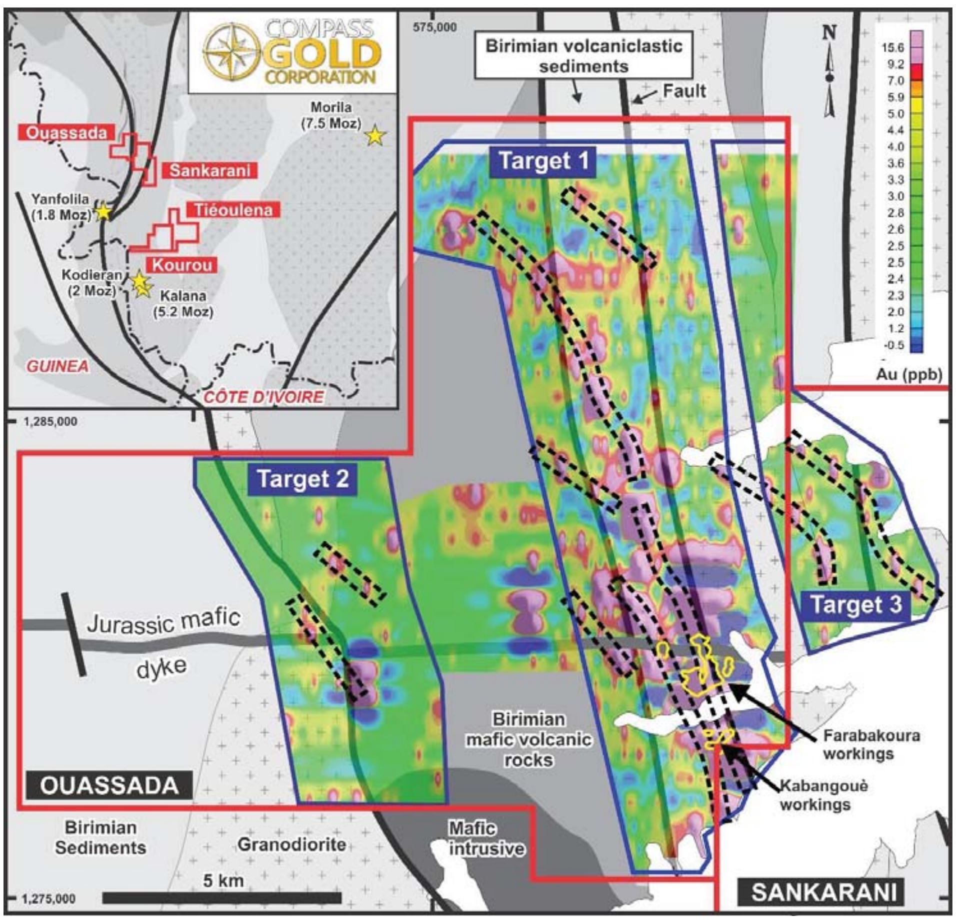



**Figure:** Location of the anomalous gold zones (dashed outlines) as identified by shallow soil geochemistry. Four additional zones are identified in Target areas 2 and 3.

**Current activities**

Based on these initial shallow soil results, the Company is eagerly awaiting the results of the 2,024 holes (27,970 m) truck-mounted power auger soil samples collected within the Ouassada permit. The results of this program will be reported as soon as the assays are received from the laboratory. The results will be used to determine the location of drill holes to test the presence of bedrock mineralization.

The surface geochemistry teams have completed work over target areas 2 and 3, and the adjacent Sankarani permit. Samples collected in both permit areas have been dispatched to the assay laboratory. A total of 1,931 samples were collected on Sankarani. Gold assay results will be reported in early May. Soil auger drilling at Sankarani will begin once sampling locations are determined from the shallow soil results.

Two studies have been commissioned by Compass utilizing previously collected data. The first study is a reinterpretation of the high-resolution airborne geophysics collected by the Company in 2011. This study is currently being undertaken by Jeremy Brett, PGeo, principal consultant geophysicist at MPH Consulting, Toronto. The second study is a structural and hyperspectral remote sensing (satellite) study, which will be undertaken by Dr. Francis Murphy, PGeo, Murphy Geosciences, Ireland. Results of both studies will be reported in May.

## 3. RESULTS OF OPERTATIONS

### Year ended December 31, 2017 compared with the Year ended December 31, 2016

During the year ended December 31, 2017, the Company incurred a loss of $1,052,019 (2016 – $64,726). The current period reflects a significant increase in expenses as result of Compass becoming an active Company, through the acquisition of the MGE, and incurring normal operational expenditures for an exploration company of the size and activities of the Company.

Expenses for the year ended December 31, 2017 were $878,319 (2016 - $64,726). Significant expenditures included and consisted of consulting fees of $64,888 (2016 - $12,000), Management and advisory fees of $252,250 (2016 – $NIL), professional fees of $91,663 (2016 – $15,877), listing and registration fees of $43,084 (2016 - $16,695), interest and bank charges of $4,288 (2016 - $5,920) foreign exchange loss of $3,393 (2016 - $NIL), and general and administration expenses of $23,338 (2016 - $6,716).

All expenses were largely in line with the previous year prior to the completion of the Acquisition of MGE. Immediately after the completion of the transaction, that the Company implemented its initial exploration program. This increased activity of the Company has resulted in increases in management fees, professional fees and other administrative expenses as a result of supporting the exploration activities.

## 4. SELECTED ANNUAL FINANCIAL INFORMATION

The following tables provide a brief summary of the Company's financial operations. For more detailed information, refer to the Audited Financial Statements.

| **Summary of Annual Results** | **Year ended Dec 31 2017 $** | **Year ended Dec 31 2016 $** | **Year ended Dec 31 2015 $** |
|---|---|---|---|
| Net Sales or total revenues | - | - | - |
| Net loss | 1,052,019 | (64,726) | (82,495) |
| Loss per share – basic and diluted (based on the weighted average of common shares outstanding for the year)* | (0.24) | (0.09) | (0.11) |
| Total assets | 11,768,885 | 3,408 | 2,355 |
| Total current liabilities | 218,484 | 121,248 | 55,470 |
| Total current liabilities, excluding borrowings due to related party | 218,484 | 58,790 | 40,338 |
| Total non-current liabilities | - | - | - |
| Cash dividends declared per-share for each class of share. | Nil | Nil | Nil |

** Note Loss per share has been adjusted to reflect the impact of the Share Consolidation in fiscal 2017.*

| **Summary of Quarterly Results** | **Quarters Ended 2017** | | | |
|---|---|---|---|---|
| | **Dec 31 $** | **Sept 30 $** | **Jun 30 $** | **Mar 31 $** |
| Total Revenues | Nil | Nil | Nil | Nil |
| Loss | (784,671) | (155,645) | (102,783) | (8,920) |
| Loss per share – basic and diluted (based on the weighted average of common shares outstanding for the period)* | (0.13) | (.05) | (.05) | (0.01) |

| Summary of Quarterly Results | Quarters Ended 2016 | | | |
|---|---|---|---|---|
| | Dec 31 $ | Sept 30 $ | Jun 30 $ | Mar 31 $ |
| Total Revenues | Nil | Nil | Nil | Nil |
| Loss | (28,385) | (7,676) | (19,613) | (9,052) |
| Loss per share – basic and diluted (based on the weighted average of common shares outstanding for the period)* | (0.04) | (0.01) | (0.03) | (0.01) |

** Note Loss per share has been adjusted to reflect the impact of the Share Consolidation in November 2017.*

## 5. DISCLOSURE OF OUTSTANDING SHARE CAPITAL

The Company is authorized to issue an unlimited number of voting common shares, an unlimited number of non-voting first preferred shares and an unlimited number of non-voting second preferred shares.

As of December 31, 2017, the Company had the following capital stock position:

| | |
|---|---|
| Common shares outstanding | 27,341,951 |
| Warrants outstanding | 14,580,952 |
| Broker warrants outstanding | 620,849 |
| Options outstanding | 2,145,000 |

Basic common shares outstanding is 27,341,951. Fully diluted shares outstanding which includes all issued common shares, warrants, broker warrants and options totals 44,688,752. For further information on the Company's capital please refer to the notes of the Financial Statements (Note 9 – Share Capital, Note 10 - Reserves).

## 6. LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2017 the Company had working capital of $5,282,779 (2016 working capital deficit of $117,840). Cash and cash equivalents as at December 31, 2017 were $5,436,302 compared to $1,775 as at December 31, 2016. The Company has no long-term debt and no long-term liabilities.

### *Cash Used in Operating Activities*

Cash used in operating activities during the year ended December 31, 2017 was $478,609 compared with $47,389 of cash used in operating activities during the 12 months ended December 31, 2016. Cash was mostly spent professional fees, listing and registration fees, accounting and audit fees and administrative costs. The cash used in operations is higher this year compared to the prior year. The higher costs in the current period are the result of completing the Acquisition transaction and concurrent transaction.

### *Cash Used in Investing Activities*

Acquisition costs directly related to the Acquisition of MGE was $102,000.

The expenditures show the activity from November 29, 2018, the day of closing the Acquisition of MGE, to December 31, 2017, which is basically one month of activity. This is the total cash expenditures and does not include accrued items for the one month period.

### *Cash Generated by Financing Activities*

For the year ended December 31, 2017, the Company completed two private placements. The first one was completed on May 4, 2017, that generated proceeds of $500,000 by the issue of 2,000,000 units at a price of $0.25 per unit. The second private placement was completed in conjunction with the Acquisition of MGE where the Company closed a private placement for gross proceeds of $6,000,000 by the issue of 12,000,000 units at a price of $0.50 per unit. Each unit is comprised of one common share and one transferable common share purchase warrant.

In 2016, the Company used advances from a director to support the ongoing annual obligations. The loan was unsecured and repayable on demand.

## 7. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are described in detail in Note 11 of the Audited Financial Statements.

## 8. OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

## 9. FINANCIAL INSTRUMENTS AND RISKS

The Company's financial instruments consist of cash, receivables and trade payables. Cash, which is measured at its face value, representing fair value, is classified as loans and receivables. Receivables are measured at amortized cost and classified as receivables. Trade payables, which are measured at amortized cost, are classified as other financial liabilities. Other liabilities are classified as other financial liabilities, which are subsequently measured at amortized cost. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

For the years ended December 31, 2017 and December 31, 2016, the Company had no derivative assets or embedded derivatives.

It is management's opinion that the Company is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

The Financial Risk and Capital management of the Company is described in further details in Note 14 of the Audited Financial Statements.

## 10. FORWARD LOOKING STATEMENTS

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", “propose”, "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this MD&A contains forward-looking statements, pertaining to the following: expectations regarding the Company's ability to source new assets or business or raise capital, and other future activities to be conducted by the Company.

With respect to forward-looking statements listed above and contained in this MD&A, the Company has made assumptions regarding, among other things: the Company's ability to source potential assets or business or obtain additional financing on satisfactory terms.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. These risks, uncertainties and other factors include, but are not limited to: fluctuations in currency and interest rates, incorrect assessments of the value of acquisitions, competition for capital, competition for acquisitions of reserves, competition for undeveloped lands and competition for skilled personnel, as well as those risk factors listed in the Risks and Uncertainties section below.

## 11. RISKS AND UNCERTAINTIES

*Title and access to properties*

The Company’s principal activity is mineral exploration and development. Companies in this industry are subject to many and varied kinds of risks, including but not limited to, environmental, decisions and policies of governmental authorities, metal prices, political and general economic conditions. Although the Company has taken steps to verify the title to its mineral interests, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects. The Company is dependent on the cooperation of surface rights holders to provide timely access to the Dingman Property. The Company has had ongoing disputes with the surface rights owners of the Dingman Property and cooperation of the surface rights owners in facilitating access to the Dingman Property for the Company cannot be assured. The Company has no significant source of operating cash flow and no revenues from operations.

*Business Risk*

Substantial expenditures are required to be made by the Company to establish ore reserves. The mineral interests being explored by the Company are in the exploration stage only, are without known bodies of commercial mineralization and have no ongoing mining operations. Mineral exploration involves a high degree of risk and few properties, which are explored, are ultimately developed into producing mines. Exploration of the Company's properties may not result in any discoveries of commercial bodies of mineralization. If the Company's efforts do not result in any discovery of commercial mineralization, the Company will be forced to look for other exploration projects or cease operations.

*Conflicts of Interest of Directors*

Certain of the directors of the Company are associated with other companies involved in the mining industry. These associations may give rise to conflicts of interest from time to time. The Company's policy on conflicts of interest complies with the procedures established in the *Business Companies Act* (Ontario), which sets out the necessity of full disclosure of any conflict of interest prior to the Board dealing with the subject matter giving rise to the conflict of interest and the interested party refraining from voting on such matter. The directors are further required to act honestly and in good faith with a view to the best interests of the Company and its shareholders.

*Financing Risk*

To fund future investments in its mineral properties the Company requires capital. The Company may not have sufficient internally generated cash flow and working capital and may have to access the capital markets. Subject to economic conditions at the time, there can be no assurance the Company would be able to raise additional debt or equity financing on acceptable terms. If the Company cannot finance its future projects it could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

*The Company is Dependent on Key Officers and Employees*

The Company is dependent on the efforts of key officers, including its Chief Executive Officer and Exploration Manager. The loss of the services of any of the Company's key officers and employees could have an adverse effect on the Company, which could have a material adverse effect on the Company's future cash flows, earnings, results of operations and financial conditions. The Company does not have and currently has no plans to obtain key man insurance with respect to any of its key employees. In addition, the Company may need to recruit and retain other qualified managerial and technical employees to build and maintain its operations. If the Company requires such persons and is unable to successfully recruit and retain them, its development and growth could be significantly curtailed.

*Gold Price*

The ability of the Company to raise capital is dependent on the price of gold. Gold prices fluctuate on a daily basis and are affected by a number of factors beyond the control of the Company, including the U.S. dollar exchange rate with other currencies, central bank lending and sales, producer hedging activities, global demand, production costs, confidence in the global monetary system, expectations of the future rate of inflation, the availability and attractiveness of alternative investment vehicles, the strength of the U.S. dollar (the currency in which the price of gold is generally quoted), interest rates, terrorism and war, and other global or regional political or economic events or conditions.

The future trend in the price of gold cannot be predicted with any degree of certainty. The market price of gold affects the economics of any potential development project and the viability of current operations, as well as having an impact on the perceptions of investors with respect to gold equities and, therefore, the ability of the Company to raise capital. A decrease in the market price of gold and other metals could affect the Company's ability to finance the exploration and development of the Company's properties could curtail further exploration or development due to lack of capacity to finance. There can be no assurance that the market price of gold will remain at current levels, that such prices will increase or that market prices will not fall.

*Currency Risk*

By virtue of the location of its exploration activities, the Company incurs costs and expenses Euro dollar. Exchange rates have varied substantially in the last three years. Financings typically raise funds in Canadian dollars. The majority of exploration expenditures are incurred in Euro dollars exposing the Company to potential significant foreign currency translation and transaction exposures, which could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition. The Company currently does not hedge against other currencies and maintains the majority of its cash in Canadian dollars.

*Government Regulation*

The Company's mining operations and exploration and development activities are subject to laws and regulations governing health and worker safety, employment standards, exports, price controls, taxation, waste disposal, management and use of toxic substances and explosives, protection of the environment, mine development, protection of endangered and protected species, reclamation, historic and cultural preservation and other matters. Furthermore, the Company requires a number of different permits and licenses in order to carry on its business. Failure to comply with applicable laws, regulations and permits, even if inadvertent, may result in enforcement actions thereunder, including the forfeiture of claims, orders by regulatory or judicial authorities requiring operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or costly remedial actions, which could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition. The Company may be required to compensate those suffering loss or damage by reason of its activities and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits, which could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition. It is possible that future changes in applicable laws, regulations, agreements or changes in their enforcement or regulatory interpretation could result in changes in legal requirements or in the terms and conditions of existing permits and agreements applicable to the Company or its properties, which could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition. Where required, obtaining necessary permits can be a complex, time consuming process and the Company cannot assure that any necessary permits will be obtainable on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Company from proceeding with the development of an exploration project or the operation or further development of a mine, which could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition. There can be no guarantee that the Company will be able to obtain or maintain all necessary licenses and permits that may be required to explore and develop its properties, commence construction or operation of mining facilities and or to maintain continued operations that economically justify the cost.

*Operating Hazards and Risks*

Mineral exploration involves many risks. The operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damage. Fires, power outages, labour disruptions, flooding, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are some of the risks involved in the conduct of exploration programs.

*Environmental Compliance*

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to permitting, property reclamation, discharge of hazardous material and other matters. These laws and regulations may change at any time prior to the granting of necessary approvals. The support of local politicians and/or communities may be required to obtain necessary permits and approvals and such support cannot be assured.

## 12. ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.comFor further detail, see the Company's Audited Financial Statements. Additional information about the Company can also be found on the company's website (www.compassgoldcorp.com) and www.sedar.com.

**COMPASS GOLD CORPORATION**
**CORPORATE DIRECTORY**

Trading Symbol – CVB-V
Exchange - TSX-V

**Head Office**
Compass Gold Corporation
Suite 1400, 330 Bay Street,
Toronto, Ontario, Canada

Tel: 416-596-0996
Fax: 416-596-6902

Email: info@compassgoldcorp.com
Website: www.compassgold corp.com

**Legal Counsel, Canada and Registered Office**
Wildeboer Dellelce LLP
10th Floor 595 Howe St
Vancouver, BC

Tel: 604-687-1224
Fax: 604-687-8772

**Officers and Directors**
James Henderson, (Chairman and Director)
Larry Phillips (CEO and Director))
Madani Diallo, (Director)
Joseph Conway (Director)
William Pugliese (Director)
Louis Nagy (CFO and Corporate Secretary)

**Members of the Audit Committee**
James Henderson
Joseph Conway
William Pugliese

**Members of the Compensation Committee**
Larry Phillips
James Henderson
Joseph Conway

**Auditors**
Dale Matheson Carr-Hilton Lebonte LLP
Suíte 1500-1140 W. Pender Street
Vancouver, B.C. V6E 4G1, Canada

Tel: 604-687-4747
Fax: 604-689-2778

**Transfer Agent**
Computershare Investor Services
3rd Floor- 510 Burrard St.
Vancouver BC

Tel: 604-661-9400 ext 4479