DESERT GOLD VENTURES INC.

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2018 and 2017

(Expressed in US Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Desert Gold Ventures Inc.

Opinion

We have audited the consolidated financial statements of Desert Gold Ventures Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company is an exploration stage company primarily involved in mining and exploration activities which has incurred recurring losses from inception. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Matthew Gosden.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

April 30, 2019

DESERT GOLD VENTURES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in US dollars)

	Note	December 31, 2018	December 31, 2017
		$	$
ASSETS			
Current assets			
Cash		112,331	290,011
GST receivables		12,180	9,907
Prepaid		-	2,808
		124,511	302,726
Non-current assets			
Equipment	3	46,829	220,245
Total assets		171,340	522,971
			-
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	4	349,751	338,264
Notes payable	6	183,252	-
		533,003	338,264
EQUITY (DEFICIENCY)			
Share capital	7	19,274,667	18,396,509
Subscription received	7	175,920	-
Accumulated other comprehensive income		198,115	141,637
Reserves		17,499,477	17,360,803
Deficit		(37,509,842)	(35,714,242)
		(361,663)	184,707
Total liabilities and shareholders' deficiency		171,340	522,971

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

Approved for issuance by the board of directors on April 30, 2019

"Sonny Janda"	*"Jared Scarf"*
Director - Sonny Janda	**Director - Jared Scarf**

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

DESERT GOLD VENTURES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in US dollars)

Year ended December 31,	**Note**	**2018**	**2017**
		$	$
Amortization	3	23,416	13,881
Investors and shareholders relationship		54,930	108,076
Office and administration		52,912	112,927
Professional and consulting fees	8	418,176	270,121
Prospecting rights and exploration	5	802,358	862,428
Rent		22,304	28,226
Share-based compensation	7	105,077	281,430
Transfer agent and listing fees		45,756	94,215
Travel		94,474	
Impairment - Equipment		150,000	47,952
		(1,769,403)	(1,819,256)
Finance charges		(26,197)	(4,502)
Net loss		(1,795,600)	(1,823,758)
Other comprehensive loss			
Foreign exchange translation gain (loss)		56,478	(56,856)
Comprehensive loss		(1,739,122)	(1,880,614)
Weighted average number of outstanding shares, basic and diluted		36,113,745	21,114,572
Loss per share, basic and diluted		(0.05)	(0.09)

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

DESERT GOLD VENTURES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
(Expressed in US dollars)

				Reserves					
	Number	Amount	Subscription received	Others	Warrants	Share-based compensation	Accumulated other comprehensive income	Deficit	Total
		$	$	$	$	$	$	$	$
December 31, 2016	16,913,945	16,603,967	-	13,755,601	486,301	2,674,606	198,493	(33,890,484)	(171,516)
Share issuance for cash	7,420,800	1,266,933	-	-	162,865	-	-	-	1,429,798
Share issuance for exercise of warrants	7,502,142	525,609	-	-	-	-	-	-	525,609
Share-based compensation	-	-	-	-	-	281,430	-	-	281,430
Translation between functional and reporting currency	-	-	-	-	-	-	(56,856)	-	(56,856)
Loss for the year	-	-	-	-	-	-	-	(1,823,758)	(1,823,758)
December 31, 2017	31,836,840	18,396,509	-	13,755,601	649,166	2,956,036	141,637	(35,714,242)	184,707
December 31, 2017	31,836,840	18,396,509	-	13,755,601	649,166	2,956,036	141,637	(35,714,242)	184,707
Share issuance for cash and settlement of debt	6,469,418	878,158	-	-	33,597	-	-	-	911,756
Subscription received	-	-	175,920	-	-	-	-	-	175,920
Share-based compensation	-	-	-	-	-	105,077	-	-	105,077
Translation between functional and reporting currency	-	-	-	-	-	-	56,478	-	56,478
Loss for the year	-	-	-	-	-	-	-	(1,795,600)	(1,795,600)
December 31, 2018	38,306,258	19,274,667	175,920	13,755,601	682,763	3,061,113	198,115	(37,509,842)	(361,663)

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

DESERT GOLD VENTURES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in US dollars)

Year ended December 31,	**2018**	**2017**
	$	$
OPERATING ACTIVITIES		
Net loss	(1,795,600)	(1,823,758)
Adjustments for non-cash items:		
Amortization	23,416	13,881
Foreign exchange	19,997	(24,483)
Impairment - equipment	150,000	-
Share-based compensation	105,077	281,430
Changes in non-cash working capital items:		
GST receivables	(2,273)	(8,389))
Prepaid	2,808	(2,792)
Accounts payable and accrued liabilities	147,311	3,991
Cash used in operating activities	(1,349,264)	(1,560,120)
FINANCING ACTIVITIES		
Proceeds from issuance of promissory notes	299,243	-
Proceeds from share issuance and subscription receipt	829,631	1,890,239
Cash provided by financing activities	1,128,874	1,890,239
INVESTING ACTIVITIES		
Purchase of equipment	-	(234,126)
Cash used in investing activities	-	(234,126)
Effect of foreign exchange rate on cash	42,710	-
Increase (decrease) in cash	(177,680)	138,311
Cash, beginning of year	290,011	151,700
Cash, end of year	112,331	290,011

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

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1. NATURE OF OPERATIONS AND GOING CONCERN

Desert Gold Ventures Inc. (the "Company") is an exploration stage company and is engaged in the acquisition, exploration and development of mineral resource properties. The principal business of the Company is conducting mineral property exploration in Mali, Senegal and Rwanda. The Company's shares are traded on the TSX Venture Exchange (the "TSX-V") under the symbol DAU.

The head office and principal address is located at 4770-72nd Street, Delta, BC V4K 3N3, and the registered and records office of the Company are located at 595 Burrard Street #700, Vancouver, BC V7X 1S8.

The Company is an exploration stage company primarily involved in mining and exploration activities which has incurred recurring losses from inception. 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 assets and discharge liabilities in the ordinary course of operations. As at December 31, 2018, the Company had not advanced its property to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors 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 loans from directors and companies controlled by directors and or private placement of common shares. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its consolidated statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements, including comparatives, 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 consolidated financial statements of the Company for the year ended December 31, 2018 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 30, 2019.

Basis of consolidation and presentation

These consolidated financial statements have been prepared on an historical cost basis, modified where applicable. These consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The consolidated financial statements are presented in US dollars, unless otherwise specified.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation and presentation (continued)

These consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances have been eliminated. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries of the Company are as follows:

Name	Country of incorporation	Ownership percentage December 31, 2018	Ownership percentage December 31, 2017
TransAfrika Belgique S.A.	Belgium	100%	100%
TransAfrika Rwanda Gold S.A.R.L.	Rwanda	100%	100%
TransAfrika Mali S.A. (dormant)	Mali	74%	74%
TransAfrika Senegal S.A. (dormant)	Senegal	100%	100%
GoldBanks Nevada Ventures Inc. (dormant)	USA	100%	100%
DesertGold Mali S.A.R.L.	Mali	100%	100%

Functional and reporting currency

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in United States dollar, which is the Company's reporting currency. The Company's functional currency is Canadian dollars. The functional currency of the subsidiaries is the United States dollar, except for TransAfrika Mali S.A. and DesertGold Mali S.A.R.L, which uses the CFA Franc.

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 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 to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Foreign operations:

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recognized in other comprehensive income and recorded in accumulated other comprehensive income in equity. These differences are recognized in the profit or loss in the period in which the operation is disposed.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant estimates and assumptions

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Significant Judgements

The most significant judgments in applying the Company's accounting policies in these consolidated financial statements are:

Title to Mineral Property Interests
Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfer and title may be affected by undetected defects.

Determination of Functional Currency
The Company determines the functional currency through its analysis of several indicators such as expenses and cash flow, financing activities, and frequency of transactions with the reporting entity.

Other significant judgments in applying the Company's accounting policies relate to the assessment of the Company's ability to continue as a going concern (Note 1) and the classification of its financial instruments.

Significant Estimates
Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include:

Recoverability and measurement of deferred tax assets
In assessing the probability of realizing deferred tax assets, management makes estimates related to the expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that the tax position taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Mining exploration

Mineral property acquisition and exploration costs are expensed as incurred. When a decision is taken that a commercially viable mineral deposit has been established all further pre-production expenditures including evaluation costs are capitalized. Cash flows associated with exploration and evaluation expenditures are classified as operating activities in the statement of cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

The carrying amount of the Company's non-financial assets (which include equipment and 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. Any reversal of impairment cannot increase the carrying value of the asset 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.

Equipment

Equipment is stated at historical cost less accumulated amortization and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in net loss.

Amortization
Amortization in profit or loss is provided on a straight-line basis over the estimated useful life of the assets as follows:

- Drilling equipment 20%
- Office equipment 33%
- Furniture and fixtures 33%

Fair value of Warrants

Warrants issued in unit private placements are valued using the residual method. Warrants issued as compensation from financings are valued using the Black–Scholes Option Pricing model. When warrants are issued, the fair value is recorded in the warrant reserve, with the corresponding entry to share capital. When warrants are exercised, their fair value is removed from the warrant reserve account and recorded as share capital.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Current income tax:
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to 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 tax:
Deferred tax is recognized on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that future taxable income will be available to allow all or part of the temporary differences to be utilized. Deferred 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 and are expected to apply by the end of the reporting period. Deferred 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 taxes relate to the same taxable entity and the same taxation authority.

Related parties

For the purpose of these financial statements parties are considered to be related to the Company if they have the ability to directly or indirectly control the Company or exercise significant influence over the Company in making financial and operating decisions or vice versa or where the Company is subject to common control or common significant influence. Related parties may be individuals or other entities.

Share-based payments

The Company operates a stock option plan. Share-based payments to directors, officers, employees and consultants 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 option reserve. The fair value of options is determined using a Black–Scholes 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Adoption of new accounting standards

The Company adopted IFRS 9 with a date of initial application as of January 1, 2018. As a result of the adoption of IFRS 9, the Company has changed its accounting policy for financial instruments retrospectively. There were no material changes in the measurement and carrying values of the Company's financial instruments as a result of the adoption. IFRS 9 does not require restatement of comparative periods.

IFRS 9 addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 Financial Instruments: Recognition and Measurement for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. Requirements for financial liabilities are largely carried forward from the previous requirements in IAS 39 except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

The Company's financial instruments are accounted for as follows under IFRS 9 as compared to the Company's previous policy in accordance with IAS 39:

	IAS 39	IFRS 9
Financial Assets		
Cash	Loans and receivables	Amortized cost
Financial Liabilities		
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Note payable	Amortized cost	Amortized cost

The following is the new accounting policy for instrument instruments under IFRS 9:

Financial assets

(a) Recognition and measurement of financial assets

The Company recognizes a financial asset when it became a party to the contractual provisions of the instrument.

(b) Classification of financial assets

The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income ("FVTOCI") or measured at fair value through profit or loss ("FVTPL").

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new accounting standards (continued)

(i) Financial assets measured at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company's business model for such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

(ii) Financial assets measured at FVTPL

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

(c) Derecognition of financial assets

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in the statement of loss and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

Financial liabilities

(a) Recognition and measurement of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

(b) Classification of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

(i) Financial liabilities measured at amortized cost

A financial liability at amortized cost is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method.

(ii) Financial liabilities measured at fair value through profit or loss

A financial liability measured at fair value through profit or loss is initially measured at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial liability is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new accounting standards (continued)

(c) Derecognition of financial liabilities

The Company derecognizes a financial liability when the financial liability is discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of loss and comprehensive loss.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

IFRS issued but not effective

IFRS 16 – Leases

IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all eases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases. IFRS 16 is effective for years beginning after January 1, 2019. The Company does not anticipate the adoption of this standard to have a significant impact on the Company's consolidated financial statements.

(Expressed in US dollars)

3. EQUIPMENT

	Drilling equipment	Office equipment	Furniture and fixtures	Total
Cost:	$	$	$	$
At December 31, 2016	-	-	-	-
Additions	150,000	43,082	41,044	234,126
At December 31, 2017	150,000	43,082	41,044	234,126
Provision for impairment	(150,000)	-	-	(150,000)
At December 31, 2018	-	43,082	41,044	84,126
Amortization:				
At December 31, 2016	-	-	-	-
Charge for the year	-	7,109	6,772	13,881
At December 31, 2017	-	7,109	6,772	13,881
Charge for the year	-	11,992	11,424	23,416
At December 31, 2018	-	19,101	18,196	37,297
Net book value:				
At December 31, 2017	150,000	35,973	34,272	220,245
At December 31, 2018	-	23,981	22,848	46,829

As at December 31, 2018, management determined that the drilling equipment was impaired. The equipment required further overhaul and the Company does not plan to use for future exploration. An impairment charge of $150,000 has been recorded.

4. ACCOUNT PAYABLES AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities consisted of the following:

	December 31, 2018	December 31, 2017
	$	$
Trade payable	316,985	318,334
Accrued liabilities	17,519	19,930
Interest payable (Note 6)	15,247	
	349,751	338,264

5. EXPLORATION AND EVALUATION PROPERTIES

The Company is an exploration stage Company which holds mineral property interests in Mali and Rwanda.

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of resource properties in Mali and Rwanda.

5. EXPLORATION AND EVALUATION PROPERTIES (CONTINUED)

Rwanda Project

On December 13, 2016, the Rwandan government issued the Company a small scale mining license relating to the project known as the Byumba gold deposit, valid for a period of 10 years with an option to renew, which covers an area located in Rutare and Nyamiyaga sectors, Gicumbi District in Rwanda.

During the year ended December 31, 2018, the Company incurred $29,660 (2017 - $40,118) relating to field office expenses in Rwanda.

Mali Projects

The Mali projects consist of the Farabantourou, Djimbala, and Segala Quest Project properties through its subsidiary Desert Gold Mali S.A., located in Mali.

On November 27, 2018, the Company successfully renewed its 100% owned Farabantourou permit for an initial 3-year term. Furthermore, the license terms grant Desert Gold the option to renew the permit for two additional 2-year terms.

The Segala West permit expired during the year ended December 31, 2017 and the Company has applied for its renewal.

The expiry date of the Djimbala permit was December 30, 2018. The Company applied for its renewal, which is pending approval by the Ministry.

During the year ended December 31, 2018, the Company incurred $772,698 (2017 - $822,310) for the exploration, permit application, and back office support in Mali

6. NOTES PAYABLE

On January 23, 2018, the Company executed a promissory note of CAD$150,000 ($115,768) plus a flat fee of 5% (CAD$7,500 or $5,788), to a relative of the CEO of the Company. The loan is non-interest bearing, unsecured and due 45 days from the effective date. On March 26, 2018, the principal amount plus the flat fee was converted into an obligation to issue 630,000 units at $0.25 per unit (Note 7).

On March 6, 2018, the Company executed a promissory note of CAD$250,000 (or US$193,125) plus a cash fee of 2% (CAD$5,000 or $3,862) The loan is interest bearing at 10% per annum, unsecured and is initially due 60 days from the effective date, which was subsequently extended to December 31, 2018. (Note 4). The Company fully repaid the principal and accrued interest in March 2019.

7. SHARE CAPITAL

(a) Share capital

Authorized share capital

Unlimited number of common shares without par value; and 1,250,000 preferred shares issuable in series with rights and restrictions to be determined by the directors prior to any issuances.

7. SHARE CAPITAL (Continued)

(a) Share capital (continued)

Issued share capital

On November 30, 2018, the Company initiated a non-brokered private placement of up to 5,000,000 units at a price of CAD $0.15 per unit (the "Unit"). Each Unit will consist of one common share and one common share purchase warrant (the "Warrant"). Each Warrant entitles the holder to purchase one additional common share of the Company at a price of $0.15 per common share for a period of two (2) years from the closing of the Financing, subject to a 30-day acceleration period, upon announcement by the Company of the common shares trading at $0.75 or more for 10 consecutive trading days. The Company had received CAD$240,000 ($175,920) subscriptions as at December 31, 2018.

The Company closed the Financing on January 25, 2019 by issuance of 5,851,500 Units for gross proceeds of CAD$877,725. Finder's fees of $3,706 cash has been paid and 24,710 Warrants have been issued.

On March 26, 2018, the Company issued 2,152,750 units at a price of CAD$0.25 per unit for gross proceeds of CAD $538,187 ($417,633) of which 630,000 units were issued to settle notes payable of $122,220 and 540,000 units were issued to directors and officers to settle bonus payable of $104,760. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of CAD$0.30 per share for a period of two years from closing subject to a 30 days acceleration clause, at the Company's election, when the Company's shares have traded on a volume weighted average basis of CAD$0.60 or more per share for at least ten consecutive trading days. The Company applied residual method to account for the issuance of warrants and has recorded $33,357 to the reserve. The Company paid CAD$3,000 ($2,327) and issued 12,000 share purchase warrants with fair value of $240 as finders' fees

On May 23, 2018 the Company issued 4,316,668 units at a price of CAD$0.15 per unit for gross proceeds of CAD $647,500 ($502,848) of which 266,667 units were issued to an officer and a company controlled by a director to settle debt of $31,064. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of CAD$0.20 per share for a period of five years from closing. The Company applied residual method to account for the issuance of warrants and has recorded CAD $Nil ($Nil) to the reserve. The Company paid CAD$8,238 ($6,398) professional fees in connection with this private placement.

On March 10, 2017, the Company issued 1,200,000 units at a price of CAD$0.25 per unit for gross proceeds of CAD $300,000 (USD $222,810). Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of CAD$0.30 per share for a period of five years from closing. The Company applied residual method to account for the issuance of warrants and has recorded $Nil to the reserve. The Company paid cash of CAD $3,450 (USD $2,562) for finder's fees.

In April 2017, the Company closed a non-brokered private placement for the issuance of 2,860,800 units at CAD$0.25 per unit for gross proceeds of CAD $715,200 (USD $550,919). Each Unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of CAD$0.30 per share for a period of five years from issuance. The Company applied residual method to account for the issuance of warrants and has recorded CAD $143,040 (USD $110,183) to the reserve.

During the year ended December 31, 2017, 7,502,142 share purchase warrants were exercised into common shares on one-to-one basis at CAD$0.09 per share for gross proceeds of CAD $675,193 (USD $525,609).

On August 22, 2017, the Company issued 2,000,000 units at CAD $0.25 per unit for gross proceeds of CAD $500,000 (USD $398,350). Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share at CAD$0.30 per share for a period of five years from

(Expressed in US dollars)

7. SHARE CAPITAL (Continued)

issuance. The Company applied residual method to account for the issuance of warrants and has recorded CAD $60,000 (USD $47,801) to the reserve. The Company incurred CAD $5,853 (USD $4,668) for legal expenses for share issuance.

In October 2017, the Company issued 1,360,000 units at CAD$0.25 per unit for gross proceeds of CAD $340,000 (USD $270,946). Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share at CAD$0.30 per share for a period of five years from issuance. The Company applied residual method to account for the issuance of warrants and has recorded $Nil to the reserve. The Company has paid cash of CAD$7,525 (USD $5,997) and 30,100 share purchase warrants (exercisable into common share at CAD$0.30 per share) for a period of five years after issuance.

The fair value of the warrants was determined to be CAD $6,125 (USD $4,881).

(b) Stock options

Stock option continuity is as follows:

	Number	Weighted average exercise price	
Balance, December 31, 2016	1,358,880	CAD$	0.20
Granted	1,533,700		0.26
Balance, December 31, 2017	2,892,580		0.24
Granted	845,000		0.25
Cancelled/expired	(1,447,068)		0.24
Balance, December 31, 2018	2,290,512	CAD$	0.24

Stock options outstanding and exercisable as at December 31, 2018 are summarized as follows:

Exercise price (CAD$)	Number of options outstanding	Weighted average remaining contractual life (Year)	Expiry date	Number of options exercisable
0.20	550,000	2.08	January 29, 2021	550,000
0.30	156,305	3.03	January 10, 2022	156,305
0.25	430,464	3.57	July 26, 2022	430,464
0.25	508,743	3.86	November 8, 2022	508,743
0.25	645,000	4.33	May 1, 2023	645,000
	2,290,512	2.95		2,290,512

For the year ended December 31, 2018, the Company recognized share-based compensation expense of $105,077 (2017 - $281,430) relating to the grant of options. The fair value of the options was estimated using the Black-Scholes option pricing using the following assumptions:

	2018	2017
Risk-free interest rate	2.17%	1.51%
Expected life of options	5 years	5 years
Annualized volatility	130%	197%
Dividend rate	0.00%	0.00%

(Expressed in US dollars)

7. SHARE CAPITAL (Continued)

(c) Warrants

As at December 31, 2018, the weighted average remaining life of the Company's outstanding warrants was 2.93 years. Continuity is as follows:

	Number	Weighted average exercise price
Balance, December 31, 2016	12,507,142	CAD$ 0.11
Issuance	7,450,900	0.30
Exercise	(7,502,142)	0.09
Balance, December 31, 2017	12,455,900	0.24
Issuance of finders' warrants	12,000	0.30
Issuance of warrants for private placement	2,152,750	0.30
Issuance of warrants for private placement	4,316,668	0.20
Balance, December 31, 2018	18,937,318	CAD$ 0.24

Details of warrants outstanding as at December 31, 2018 are as follows:

Exercise price	Expiration Date	Number of warrants outstanding
CAD$ 0.50	January 8, 2020	800,000
CAD$ 0.09	November 20, 2020	1,405,000
CAD$ 0.09	August 11, 2021	2,800,000
CAD$ 0.30	March 10, 2022	1,200,000
CAD$ 0.30	July 5, 2022	100,000
CAD$ 0.30	July 5, 2022	2,760,800
CAD$ 0.30	September 19, 2022	2,000,000
CAD$ 0.30	October 10, 2022	1,390,100
CAD$ 0.30	March 26, 2020	2,164,750
CAD$ 0.20	May 23, 2023	4,316,668
		18,937,318

8. RELATED PARTY TRANSACTIONS

a) Transactions with key management personnel:

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers. The aggregate values of transactions relating to key management are as follows:

	2018	2017
	$	$
Consulting fees	225,380	$150,328
Performance bonus	104,760	-
Share-based compensation	64,919	184,281

(Expressed in US dollars)

8. RELATED PARTY TRANSACTIONS (Continued)

b) Balances due to related parties:
Amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment. The Company's accounts payable and accrued liabilities (Note 4) included the following balances owing to related parties.

Due to Related parties	Nature	December 31, 2018	December 31, 2017
		$	$
Chief executive officer	Consulting fees	52,717	-
Chief financial officer	Consulting fees	4,325	1,004
Former Director	Consulting fees	1,531	2,088
President	Consulting fees	9,707	3,189
		68,280	6,281

9. FINANCIAL INSTRUMENTS

Classification of financial instruments

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

	December 31, 2018	December 31, 2017
	$	$
Cash (amortized cost)	112,331	290,011
Interest payable (amortized cost)	15,247	-
Note payable (amortized cost)	183,252	-
Trade payables (amortized cost)	316,985	318,334

Fair value
At the respective reporting dates, all of the Company's financial instruments had maturities less than one year. As a result, the carrying amount of note payable, accounts payable approximated their fair values due to their short-term maturities.

Risk management
The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company has exposure to the following risks from its use of financial instruments:

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's approach to managing liquidity risk is to ensure as far as possible that it will always have sufficient cash on demand to meet its liabilities when they fall due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Company's reputation.

Historically, the Company's primary source of funding has been the issuance of equity securities for cash, primarily through private placements and loans from related and other parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

9. FINANCIAL INSTRUMENTS (Continued)

Risk management (continued)

Interest rate risk
As at December 31, 2018, the Company did not have any significant exposure to the risk of changes in market interest rates as the Company did not have any financial instruments that are exposed to changes in interest rates.

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers and investment securities

The potential concentration of credit risk consists mainly of cash and other receivables. The Company limits its counterparty exposures from its cash by only dealing with well-established financial institutions of a high quality credit standing. The maximum exposure to credit risk is represented by the carrying amount of each financial asset on the statement of financial position.

At the reporting date the majority of the Company's cash resources were deposited with reputable established financial institutions. As a result, management believes the Company is not exposed to significant credit risk due to the credit worthiness of these counterparties.

Foreign currency risk
Foreign currency risk arises from holdings of financial assets and liabilities in currencies other than the function currency to which they relate. The Company and its subsidiaries have minimal such holdings, consequently foreign currency risk is considered low.

10. CAPITAL DISCLOSURE

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence, safeguard the Company's ability to support the exploration and development of its exploration and evaluation assets and to sustain future development of the business. The capital structure of the Company consists of equity and debt obligations, net of cash and cash equivalents.

There were no changes in the Company's approach to capital management during the year.

The Company is not exposed to any external capital requirements.

(Expressed in US dollars)

11. INCOME TAXES

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

	2018	2017
	$	$
Loss for the year	(1,795,600)	(1,823,758)
	27%	26%
Expected income taxes recovery at statutory	(485,000)	(474,000)
Non-deductible items	29,000	73,000
Impact of different foreign statutory tax rates on earnings on subsidiaries	(46,000)	-
Adjustments to prior year versus statutory returns	(45,000)	(90,000)
Foreign exchange, expired losses and other	593,000	180,000
Change in unrecognized deductible temporary differences	(46,000)	311,000
	-	-

The significant components of the Company's deferred tax assets that have not been set up are as follows:

	2018	2017
	$	$
Evaluation and exploration assets	646,000	781,000
Non-capital losses	2,297,000	2,208,000
	2,943,000	2,989,000
Unrecognized deferred tax assets	(2,943,000)	(2,989,000)
Net deferred tax assets	-	-

The Company has approximately $5,615,039 in Canadian non-capital losses which expire between 2026 and 2038, $475,697 in foreign non–capital losses which expire between 2017 and 2022.

Tax attributes are subject to revision and potential adjustment by tax authorities

12. SUBSEQUENT EVENTS

a) The Company closed a private placement on January 25, 2019. Refer to Note 7.

b) The Company granted 1,125,000 stock options to consultants, directors, and officers. These options have an exercise price of CAD$0.19 per share and will expire 5 years after issuance.

c) On April 1, 2019, the Company and Ashanti Gold Corp. (TSXV: AGZ) (“Ashanti”) entered into a definitive combination agreement (the “Definitive Agreement”) to which Desert Gold will acquire all of the issued and outstanding common shares of Ashanti (the “Ashanti Shares”), (the “Transaction”). The Transaction is being carried out by way of amalgamation. Ashanti shareholders will vote on the Amalgamation at a special meeting of Ashanti shareholders with closing expected to take place by the end of May 2019. Under the terms of the Definitive Agreement, all of the issued and outstanding Ashanti Shares will be exchanged on the basis of 0.2857 Desert Gold common shares (each whole share, a “Desert Gold Share”) for each Ashanti Share.

c) On April 3, 2018, the Company issued 1,000,000 common shares at CAD$0.09 per share pursuant to the exercise of warrants.