



1911 Gold Corporation

Consolidated Annual Financial Statements

(Expressed in thousands of Canadian dollars)

**For the years ended
December 31, 2020 and 2019**



Independent auditor's report

To the Shareholders of 1911 Gold Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of 1911 Gold Corporation and its subsidiary (together, the Company) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 consolidated financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

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

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Our opinion on the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated 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.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Craig McMillan.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 28, 2021



Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars)

	Note	December 31, 2020	December 31, 2019
		\$	\$
ASSETS			
Current			
Cash and cash equivalents		10,029	9,630
Inventories	5	2,785	1,362
Prepaid expenses and other		506	486
		13,320	11,478
Non-current			
Mineral properties, plant and equipment, net	6	34,301	36,903
TOTAL ASSETS		47,621	48,381
LIABILITIES			
Current			
Accounts payable and accrued liabilities	7	1,733	1,069
Accrued compensation and benefits		785	384
Flow-through share premium liability	8	632	739
		3,150	2,192
Non-current			
Reclamation obligations	9	2,819	2,630
TOTAL LIABILITIES		5,969	4,822
SHAREHOLDERS' EQUITY			
Share capital	10	25,594	21,749
Share-based payment reserve	10	916	567
Contributed surplus		130,106	130,106
Deficit		(114,964)	(108,863)
TOTAL SHAREHOLDERS' EQUITY		41,652	43,559
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		47,621	48,381

Nature of operations – Note 1

Commitments and Contingencies – Note 15

On behalf of the Board:

/s/ Mike Hoffman
Chairman

/s/ James Haggarty
Director



Consolidated Statements of Loss and Comprehensive Loss For the years ended December 31, 2020 and 2019

(Expressed in thousands of Canadian dollars)

	Note	2020 \$	2019 \$
REVENUES		10,768	12,280
Cost of sales			
Production costs		8,817	13,014
Depreciation and depletion		2,460	3,796
		(509)	(4,530)
Other operating expenses			
General and administrative		2,485	1,719
Exploration expense		4,082	2,322
Loss from operations		(7,076)	(8,571)
Flow-through premium recovery	8	1,133	732
Foreign currency gain (loss), net		2	(3)
Interest income		35	156
Other expenses		(10)	(192)
Reclamation obligation accretion		(180)	(168)
Gain on equipment disposal		–	214
Loss for the year before tax		(6,096)	(7,832)
Income tax		(5)	(3)
Net loss and comprehensive loss for the year		(6,101)	(7,835)
Loss per share			
Basic and diluted		(0.15)	(0.22)
Weighted average number of shares outstanding			
Basic and diluted		42,007,242	36,247,978



Consolidated Statement of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in thousands of Canadian dollars)

	Note	2020 \$	2019 \$
CASH (USED IN) PROVIDED BY:			
Operating activities			
Net loss and comprehensive loss for the year		(6,101)	(7,835)
Depreciation and depletion		2,732	3,389
Flow-through premium recovery	8	(1,133)	(732)
Accretion on reclamation obligation	9	180	168
Shares issued for Rice Lake Belt claims		–	49
Share-based payments	10	350	304
Foreign currency (gain) loss, net		(2)	3
Gain on disposal of equipment		–	(214)
Gain on issuance of shares for services and debt		–	(17)
Changes in non-cash working capital items			
Inventories		(1,423)	1,688
Prepaid expenses and other		(20)	165
Accounts payable		950	165
Accrued compensation and benefits		117	(64)
		(4,350)	(2,931)
Investing activities			
Expenditures on mineral property, plant and equipment		(121)	(694)
Change in accounts payable related to expenditures on mineral properties, plant and equipment		–	(76)
Proceeds on disposal of equipment		–	230
Short-term investments		–	3,000
		(121)	2,460
Financing activities			
Proceeds from private placement, net of share issuance costs		4,868	4,130
Exercise of options		2	–
		4,870	4,130
Increase in cash		399	3,659
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		9,630	5,971
CASH AND CASH EQUIVALENTS - END OF YEAR		10,029	9,630

Supplemental cash flow information – Note 14



Consolidated Statements of Changes in Equity

(Expressed in thousands of Canadian dollars)

	Note	Number of common shares	Share capital \$	Share-based payment reserve \$	Contributed Surplus \$	Deficit \$	Total \$
Balance, December 31, 2018		28,675,311	18,915	335	130,106	(101,028)	48,328
Shares Issued by private placement	10	385,000	110	–	–	–	110
Shares Issued by private placement	10	8,333,333	4,000	–	–	–	4,000
Shares Issued by private placement	10	66,667	20	–	–	–	20
Shares issued for debt	10	100,000	27	–	–	–	27
Shares issued for services	10	52,083	15	–	–	–	15
Flow-through share premium	8	–	(1,459)	–	–	–	(1,459)
Acquisition of Rice Lake Belt claims	10	150,000	49	–	–	–	49
Exercise of RSUs	10	213,335	72	(72)	–	–	–
Share based payments	10	–	–	304	–	–	304
Loss for the year		–	–	–	–	(7,835)	(7,835)
Balance, December 31, 2019		37,975,729	21,749	567	130,106	(108,863)	43,559
Shares Issued by private placement	10	8,200,000	5,208	–	–	–	5,208
Less: share issuance costs	10	–	(402)	62	–	–	(340)
Flow-through share premium	8	–	(1,026)	–	–	–	(1,026)
Exercise of RSUs	10	213,335	62	(62)	–	–	–
Exercise of options	10	6,666	3	(1)	–	–	2
Share based payments	10	–	–	350	–	–	350
Loss for the year		–	–	–	–	(6,101)	(6,101)
Balance, December 31, 2020		46,395,730	25,594	916	130,106	(114,964)	41,652

1911 Gold Corporation

Notes to the Consolidated Annual Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in thousands of Canadian dollars)



1. NATURE OF OPERATIONS

1911 Gold Corporation (“1911 Gold” or the “Company”) is engaged in the acquisition, exploration, development and extraction of precious metals. The Company owns and operates the Rice Lake property which holds the True North gold mine and mill (“True North”), as well as the Apex property near Snow Lake, Manitoba and the Denton-Keefer and Tully properties near Timmins, Ontario. The Company was incorporated under the British Columbia Business Corporations Act on May 3, 2018 and is listed publicly on the TSX Venture Exchange (“TSX-V”) under the symbol “AUMB” and the OTCQX Best Market under the symbol “HAVXF”. The Company’s registered office is located at 666 Burrard Street, 25th Floor, Vancouver, British Columbia, V6C 2X8.

2. BASIS OF PRESENTATION

Statement of compliance and functional currency

These consolidated financial statements have been presented in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”). These consolidated financial statements were approved by the Board of Directors on April 28, 2021. These consolidated financial statements have been prepared on a historical cost basis.

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company’s Canadian entities. The functional currency of the Company’s foreign entity is US dollars. The accounts of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. Inter-company transactions, balances and unrealized gains or losses on transactions are eliminated.

The Company’s principal subsidiary is as follows:

Name	Place of Incorporation	Ownership Percentage
1911 Gold USA	USA	100%

3. ACCOUNTING POLICIES

These consolidated financial statements have been prepared using the following accounting policies:

Cash and cash equivalents

Cash and cash equivalents are unrestricted as to use and consist of deposits and short-term interest-bearing accounts with original maturities of 90 days or less.

Foreign currency

The functional currency of 1911 Gold is the Canadian dollar. Gains or losses resulting from measuring foreign currency transactions and balances into an entity’s functional currency are recorded to profit or loss.

Financial Instruments

a) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics.

1911 Gold Corporation

Notes to the Consolidated Annual Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in thousands of Canadian dollars)



Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company's financial instruments consist of cash equivalents, deposits, accounts payable and accrued liabilities. These financial instruments are classified as financial assets and liabilities at amortized cost.

b) Measurement

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

c) Impairment of financial assets at amortized cost

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

d) Derecognition

- **Financial assets** - The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of net (loss) income.
- **Financial liabilities** - The Company derecognizes financial liabilities only when its obligations under the financial liabilities are 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.

Inventories

Inventory includes supplies inventory and the following production-related inventories: stockpiles, in-process, and doré finished goods, all of which are measured and carried at the lower of average cost or net realizable value. For production-related inventories, cost includes all mining, processing, and refining costs incurred during production stages, including allocations for mine site overhead, depreciation and depletion, and ore transport costs. Net realizable value is calculated as the estimated future sales price in the ordinary course of business using period-end metal prices less the estimated costs to convert the production-related inventories into a saleable product (less estimated selling costs).

- **Supplies inventory** consists of supplies and commodity consumables used in the mining, milling, and refining processes.
- **Stockpiles** represent ore that has been mined which requires further processing through a mill. Costs are transferred from Stockpiles to In-process at an average cost per unit.
- **In-process inventory** consists of ore being processed through the milling circuit in preparation for refining. Costs are transferred from In-process to Doré finished goods at an average cost per unit.
- **Doré finished goods inventory** consists of gold bullion held at the refiner as well as Doré bars awaiting shipment to the refiner. Costs are transferred from Doré finished goods to Cost of sales at an average cost per unit as gold is sold to customers.

Mineral properties, plant and equipment

Mineral properties, plant and equipment are carried at cost, less accumulated depletion, depreciation, and accumulated impairment losses (if any). Cost includes the fair value of consideration given to acquire or construct an asset and includes all charges associated with bringing an asset to the location and condition necessary for its intended use. Estimated costs of decommissioning, dismantling, and removing assets are capitalized to the cost of the asset to which they relate.



a) Mineral properties

Mineral properties consist of the fair value attributable to resources acquired in a business combination or asset acquisition, mine development costs, tailings facilities, and environmental compliance and permitting costs. Mine development costs include costs to build or construct shafts, drifts, and ramps which enable the Company to physically access ore and costs to delineate or expand an existing mineral resource ore bodies, including, costs for drilling, assaying, and engineering work. Additionally, mine development costs include amounts reclassified from capitalized exploration and evaluation costs (as discussed below).

Mineral properties are depleted using the units-of-production method. Depletion is determined each period using a factor of gold ounces mined over the estimated recoverable gold ounces at each mineral property, the totals of which are prospectively adjusted to correspond to changes in such recoverable gold ounces. To the extent capitalized mineral property costs benefit an entire ore body, they are amortized over the estimated recoverable gold ounces of that ore body. Capitalized costs that benefit specific ore veins or areas are amortized over the estimated recoverable gold ounces of that specific ore vein or area.

b) Plant and equipment

Plant and equipment assets are recorded at cost and depreciated over their estimated useful lives. Cost includes the expenditures directly attributable to the acquisition of the asset and the cost of major overhauls of parts of property and equipment if such part extends the productive capacity or useful economic life of the asset to which it relates. Upon such occurrence, the carrying amount of the replaced part is derecognized as a current period charge. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Depreciation on property and equipment is calculated using either the straight-line method based on the asset's expected useful life or the units-of-production method at rates sufficient to depreciate such costs over the total estimated recoverable ounces. When components of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Depreciation on assets under construction commences when such assets are substantially complete and placed in service for their intended use. The major categories of plant and equipment are depreciated at the following annual rates:

- **Vehicles** – 3 - 5 years
- **Buildings** – 5 - 37 years
- **Computer Software and Hardware** – 3 - 12 years
- **Field Equipment** – 3 - 8 years
- **Mill** – 3 - 14 years
- **Tailings Equipment** – 3 - 5 years

c) Exploration and evaluation assets

Exploration and evaluation assets include the capitalized costs of acquiring mineral property rights and licenses. All exploration and evaluation expenditures are expensed until properties are determined to have economically recoverable resources. These direct expenditures include such costs as materials used, surveying costs, geological studies, drilling costs, payments made to contractors and depreciation of plant and equipment during the exploration phase.

Mineral property acquisition costs for each mineral property are carried forward as an asset provided that one of the following conditions is met:

- Such costs are expected to be recouped in full through successful exploration and development of the mineral property or alternatively, by sale; or



- Exploration and evaluation activities in the mineral property have not reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves; however, active and significant operations in relation to the mineral property are continuing or planned for the future.

The carrying values of capitalized amounts are reviewed annually, or when indicators of impairment are present. In the case of undeveloped properties, there may be only inferred resources to allow management to form a basis for the impairment review. The review is based on the Company's intentions for the development of such a property. If a mineral property does not prove viable, all unrecoverable costs associated with the property are charged to the statement of operations and comprehensive loss at the time the determination is made.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined and the Company has made a decision to proceed with development, the property is considered to be a mine under development and is classified as "mining assets", within PP&E. Exploration and evaluation acquisition costs accumulated are also tested for impairment before they are transferred to development properties.

Impairment of non-financial assets

At each reporting date the carrying amounts of the Company's long-lived non-financial assets, which consist of mineral properties and plant and equipment, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. For purposes of impairment testing, assets are grouped at the lowest levels that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit"). The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset or its related cash generating unit.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the associated assets are reduced to their recoverable amount and the impairment loss is recognized in profit or loss for the year.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment charge is reversed through profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of any applicable depreciation, if no impairment loss had been recognized.

Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease



liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option a right-of-use asset is depreciated over the asset's useful life.

Reclamation obligations

The Company records a liability and corresponding asset for the present value of the estimated costs of legal and constructive obligations for site closure and reclamation activities where the liability is probable and a reasonable estimate can be made of the obligation amount. Provisions for closure and reclamation liabilities are estimated using expected cash flows, based on engineering and environmental reports prepared by internal and third-party industry specialists, which are adjusted for estimates of inflation and discounted at a rate specific to the estimated term of the liability which reflects risks specific to such liability. The capitalized amount is included within Mineral properties, plant and equipment, net and amortized on the same basis as the asset to which it relates. The decommissioning provision liability is accreted over time to reflect the unwinding of the discount with the resultant accretion expense included in Finance charges, net. The provision is reviewed at each period end and adjusted for changes in estimates, circumstances, disturbances, and inputs used to compute the underlying liability.

Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and options are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are assigned value based on the residual value method and included in share capital with the common shares that were concurrently issued. Warrants that are issued as payment for agency fees or other transactions costs are accounted for as share-based payments.

Share-based compensation

The Company has a share option plan which is described in Note 10(a). Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity settled share-based payment transactions. If the fair value of the goods or services received cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

Share-based payments to employees and Directors are measured at the grant date fair value of the equity instruments issued and are amortized over their applicable vesting periods. The offset to the recorded cost is to share-based payment reserves. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payment reserve is transferred to share capital.

Flow-through Shares

The Company may periodically issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. In the event that warrants are issued with the flow-through common shares, the Company will not assign any of the premium to those warrants. Upon expenditures being incurred, the Company derecognizes the flow-through liability

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Notes to the Consolidated Annual Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in thousands of Canadian dollars)



and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognised as other income and the related deferred tax is recognized as a tax provision in accordance with the income tax policy.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's reporting year is disclosed separately as flow-through share proceeds in Note 8. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Revenue

The Company recognizes revenue from contracts with customers for the sale of gold at the point in time when it transfers control over to the customers, which occurs upon delivery. Revenue is measured based on the market metal prices at the time of settlement.

The Company produces doré and derives revenue from the sale of doré. The Company's performance obligations relate primarily to the delivery of these products to customers, with each shipment representing a separate performance obligation. Revenue from the sale of bullion is recognized at the point the customer obtains control of the product. Control is transferred when title has passed to the purchaser, the product is physically delivered to the customer, the customer controls the risks and rewards of ownership and the Company has a present right to payment for the product.

The refiner who receives doré from the Company, refines the material on the Company's behalf and arranges for sale of the refined metal on the London Bullion Market. Control over the refined gold or silver produced from doré is transferred to the customer and revenue recognized upon delivery to the customer's bullion account. Refined metals are sold at spot prices on the London Bullion Market and proceeds are collected within two business days of the completion of the sale transaction.

Income taxes

The Company uses an asset and liability approach which results in the recognition of deferred tax liabilities and assets for the expected future tax consequences or benefits of temporary differences between the financial reporting basis and the tax basis of assets and liabilities, as well as operating loss carryforwards, using enacted tax rates in effect in the years in which the differences are expected to reverse.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of its deferred tax assets will not be realized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. A valuation allowance has been provided for the portion of the net deferred tax assets for which it is more likely than not that they will not be realized.

Segments

The Company's reportable segments are comprised of operating units which 1) have revenues, earnings or losses, or assets exceeding 10% of the respective consolidated totals and 2) are regularly reviewed by the Chief Executive Officer to make decisions about resource allocation and performance assessment. The Company's operating segment, the Rice Lake property, is located in Manitoba, Canada.

Accounting standards issued but not yet effective

IAS 16 Property, Plant and Equipment



On May 14, 2020, the International Accounting Standards Board published an amendment to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use. The amendments prohibit deducting from the cost of property, plant and equipment any proceeds received from selling items produced while bringing that asset for its intended use. Instead, proceeds received will be recognized as sales proceeds and related cost in profit or loss. The effective date is for annual periods beginning on or after January 1, 2022, with early adoption permissible. The Company is assessing the effect of this amendment on its consolidated financial statements.

As at December 31, 2020 there are no other IFRS or IFRIC interpretations with future effective dates that are expected to have a material impact on the Company.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS AND COVID-19

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the annual consolidated financial statements and the reported amounts of gain and expenses during the reporting period. Such estimates and assumptions, which by their nature are uncertain, affect the carrying value of assets, impact decisions as to when exploration and evaluation costs should be capitalized or expensed. The Company regularly reviews its estimates and assumptions; however, actual results could differ from these estimates and these differences could be material. Revisions to estimates and the resulting impacts on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

These estimates are as follows:

a) Impairment of mineral properties

Acquisition costs for mineral properties are capitalized. The Company makes estimates and applies judgment about future events and circumstances in determining whether the carrying amount of a mineral property exceeds its recoverable amount. The recoverability of amounts shown as mineral properties is dependent upon the discovery of economically recoverable reserves, the Company's ability to obtain financing to develop the properties, and the ultimate realization of profits through future production or sale of the properties. Management reviews its mineral properties for impairment indicators at the end of each reporting period, or when an impairment indicator exists, to determine whether an impairment test should be performed. In making its assessment, management considers, among other things, exploration results to date and future exploration plans for a particular property. In addition, acquisition costs related to relinquished property rights are written off in the period of relinquishment. Capitalized acquisition costs in respect of the Company's mineral properties may not be recoverable and there is a risk that these costs may be written down in future periods.

b) Determining amount and timing of rehabilitation costs

Management must determine if estimates of the future costs the Company will incur to complete the rehabilitation work is required to comply with existing laws, regulations and agreements in place at each exploration site. Actual costs incurred may differ from those amounts estimated. Future changes to environmental laws and regulations could increase the extent of rehabilitation work required by the Company. Management determined at the date of the statement of financial position that no material rehabilitation provisions were required under IAS 37, Provisions, Contingent Liabilities, and Contingent Assets.

c) COVID-19

The Company's business could be adversely affected by the effects of the continued outbreak of respiratory illness caused by the novel coronavirus ("COVID 19"). Several significant measures have been implemented in Canada and the rest of the world by authorities in response to the ongoing impact of COVID-19. While the Company has experienced only nominal impacts to the supply chain, the Company cannot accurately predict the impact COVID 19 will have on the future ability of third parties to provide necessary supplies to the Company resulting from uncertainties relating to the ultimate geographic

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spread of the virus, the severity of the disease, the duration of the outbreak, and the nature and length of travel and quarantine restrictions imposed by governments of affected countries. The continued prevalence of the COVID-19 globally could materially and adversely impact the Company's business including, without limitation, employee health, limitations on travel, the availability of industry experts and personnel, restrictions on planned drill programs and other factors that depend on future developments beyond the Company's control. In addition, the significant outbreak of a contagious disease has resulted in a widespread health crisis that has adversely affected the economies and financial markets of many countries (including Canada), resulting in a potential economic downturn that may negatively impact the Company's financial position, financial performance, cash flows, and its ability to raise capital.

In response to the negative economic impact of COVID-19, various government programs were announced to provide financial relief to affected businesses. The Company previously determined that it qualified for the Canada Emergency Wage Subsidy ("CEWS") program under the COVID-19 Economic Response Plan in Canada during the months of March and April. The Company received payroll subsidies of \$295 during those months that were recorded as a reduction in the associated salaries and wages incurred, which were recognized in cost of sales and general and administrative expenses in the condensed interim consolidated statements of loss and comprehensive loss.

5. INVENTORIES

	2020	2019
	\$	\$
PRODUCTION RELATED INVENTORIES:		
Supplies	966	1,145
In-process	540	217
Doré finished goods	1,279	-
	2,785	1,362

As at December 31, 2020, the in-process, and doré finished goods inventories included approximately \$96 (2019 - \$47) of capitalized non-cash depreciation and depletion costs.

During the years ended December 31, 2020 and 2019, no write-downs were made on inventory.

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6. MINERAL PROPERTIES, PLANT AND EQUIPMENT

	Plant and equipment	Mineral properties	Total
	\$	\$	\$
COST:			
Balance at December 31, 2018	29,928	61,722	91,650
Additions	494	200	694
Disposals	(1,173)	-	(1,173)
Balance at December 31, 2019	29,249	61,922	91,171
Additions	121	-	121
Change in estimate of reclamation obligation	-	9	9
Balance at December 31, 2020	29,370	61,931	91,301
ACCUMULATED DEPRECIATION AND DEPLETION			
Balance at December 31, 2018	(21,239)	(30,799)	(52,038)
Additions	(3,389)	-	(3,389)
Disposals	1,159	-	1,159
Balance at December 31, 2019	(23,469)	(30,799)	(54,268)
Additions	(2,732)	-	(2,732)
Balance at December 31, 2020	(26,201)	(30,799)	(57,000)
NET – DECEMBER 31, 2019	5,780	31,123	36,903
NET – DECEMBER 31, 2020	3,169	31,132	34,301

Plant and equipment at December 31, 2020 includes \$49 (December 31, 2019 - \$nil) of construction in progress.

As a result of the shutdown of mining operations in 2019 and the focus on exploration activity for the foreseeable future, all the Company's mineral properties are considered to be in the exploration phase.

Mineral property acquisitions

On July 10, 2019, the Company completed the acquisition of the remaining 50% interest in the Tully mining claims and mining lease located in Timmins, Ontario from 55 North Mining Inc. ("55 North") for total consideration of \$200 cash. As a result of this acquisition, the Company is now the 100% direct owner of the Tully Property.

On July 17, 2019, the Company entered into an arms' length agreement to acquire three additional mineral claims, totaling approximately 230 hectares, on the Rice Lake belt in Manitoba, Canada. Under the terms of the purchase agreement the Company issued 150,000 shares for consideration of \$49.

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7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2020	December 31, 2019
	\$	\$
Accounts payable	1,313	656
Accrued liabilities	420	413
	1,733	1,069

8. FLOW-THROUGH SHARE PREMIUM LIABILITY

Flow-through share premium liabilities include the liability portion of the flow-through shares issued. The following is a continuity schedule of the liability portion of the issued flow-through shares:

	\$
Balance at December 31, 2018	12
Liability incurred on flow-through shares issued during the year	1,459
Settlement of flow-through share liability on incurred expenditures	(732)
Balance at December 31, 2019	739
Liability incurred on flow-through shares issued during the year	1,026
Settlement of flow-through share liability on incurred expenditures	(1,133)
BALANCE AT DECEMBER 31, 2020	632

On March 5, 2019, the Company issued 8,333,333 flow-through shares at a price of \$0.48 per share for gross proceeds of 4,000. A premium of \$0.18 per share was recorded for the flow-through shares.

During the year ended December 31, 2019, the Company incurred \$2,143 of eligible flow-through expenditure, representing 100% of the previous commitment from flow-through share issuance in September 2018 and 49% of the flow-through share issuance in March 2019. A total flow-through share premium liability of \$732 was amortized to flow-through premium recovery on the statement of loss and comprehensive loss.

On July 14, 2020, the Company issued 8,200,000 flow-through common shares for gross proceeds of \$5,208. The Flow-Through Shares were issued in two tranches with tranche one consisting of 4,275,000 Flow-Through Shares (the "Premium FT Shares") issued to purchasers residing in Manitoba at a price of \$0.75 per Premium FT Share for aggregate gross proceeds of \$3,206 and tranche two consisting of 3,925,000 Flow-Through Shares (the "National FT Shares") issued to purchasers residing outside of Manitoba at a price of \$0.51 per National FT Share for aggregate gross proceeds of \$2,002. No premium was recorded on the National FT shares and a premium of \$0.24 per share was recorded for the Premium FT shares.

During the year ended December 31, 2020, the Company incurred \$4,032 of eligible flow-through expenditures, representing 100% of the previous commitment from flow-through shares issued in March 2019 and 39% of the flow-through share issued in July 2020. A total flow-through share premium liability of \$1,133 was amortized to flow-through premium recovery on the statement of loss and comprehensive loss.



9. RECLAMATION OBLIGATION

The reclamation obligation is related to True North and is estimated based upon the present value of expected cash flows using estimates of inflation and a credit adjusted risk-free discount rate. The undiscounted amount of cash flows required to settle the reclamation obligation was estimated at \$7,449 as at December 31, 2020 (December 31, 2019 – \$9,824).

The key assumptions on which the provision estimates were based for the years ended December 31, 2020 and 2019 are:

- Expected timing of the cash flows occurs between 2023-2041 based on the estimated useful life of True North.
- The inflation rate used for the year ended December 31, 2020 is 1.30% (year ended December 31, 2019 – 2.40%).
- The discount rate used for the year ended December 31, 2020 is 5.24% (year ended December 31, 2019 – 6.80%).

The following table provides a summary of changes in the reclamation obligation:

	\$
Balance at December 31, 2018	2,462
Accretion expense	168
Balance at December 31, 2019	2,630
Accretion expense	180
Change in estimate	9
BALANCE AT DECEMBER 31, 2020	2,819

10. SHARE CAPITAL

a) **Authorized:** Unlimited common shares without par value.

b) **Shares issued**

Private Placements

On January 10, 2019, the Company closed a private placement by issuing 385,000 Units at a price of \$0.285 per Unit for gross proceeds of \$110. Under the private placement, each Unit consists of one common share in the capital of the Company and one-half of one share purchase warrant (each whole warrant being a “Warrant” of the Company). Each whole Warrant will entitle the holder to purchase one share at an exercise price of \$0.50 per share until September 19, 2021. No value has been allocated to the warrants issued.

On March 5, 2019, the Company closed a private placement by issuing 8,333,333 flow-through common shares (“FT Shares”) at a price of \$0.48 per FT Share for gross proceeds of \$4,000. The fair value of the flow-through shares was determined to be \$2,541 with the remaining \$1,459 being allocated to flow-through premium liability (Note 8).

On March 21, 2019, the Company closed a private placement by issuing 66,667 Units at a price of \$0.30 per Unit for gross proceeds of \$20. Under the private placement, each Unit consists of one common share in the capital of the Company and one-half of one share purchase warrant. Each whole Warrant will entitle the holder to purchase one share at an exercise price of \$0.50 per share until September 19, 2021. No value has been allocated to the warrants issued.

On July 14, 2020, the Company completed a private placement by issuing 8,200,000 flow-through common shares for gross proceeds of \$5,208 (the “Offering”). The Flow-Through Shares were issued in two tranches with tranche one consisting of 4,275,000 Flow-Through Shares (the “Premium FT Shares”) issued to purchasers residing in Manitoba at a price of \$0.75 per

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Premium FT Share for aggregate gross proceeds of \$3,206 and tranche two consisting of 3,925,000 Flow-Through Shares (the "National FT Shares") issued to purchasers residing outside of Manitoba at a price of \$0.51 per National FT Share for aggregate gross proceeds of \$2,002.

In connection with the Offering, the Company issued the underwriters non-transferable broker warrants of the Company ("Broker Warrants") equal to 4.0% of the aggregate number of Flow-Through Shares issued, and a reduced number of Broker Warrants equal to 2.0% of the aggregate number of Flow-Through Shares issued to certain purchasers on the "President's List". Each Broker Warrant is exercisable to acquire one common share in the capital of the Company at an exercise price of \$0.60 per share until January 14, 2022.

Debt settlement

On April 17, 2019, the Company negotiated the settlement of \$34 related to historical accounts payable for a third-party consultant to Bison Gold Resources Inc. (a subsidiary of the Company) in consideration for the issuance of 100,000 common shares of the Company at a price of \$0.27 per common share. This resulted in a gain on debt settlement of \$7, which was included in other income (expense) on the consolidated statements of loss and comprehensive loss.

Shares for Services

On April 22, 2019, pursuant to an advisory agreement with Canaccord Genuity Corp, the Company issued 52,083 shares at a price of \$0.29 per share for \$25 in services rendered. This resulted in a gain on debt settlement of \$10, which was included in other income (expense) on the consolidated statements of loss and comprehensive loss.

Shares issued for acquisition of Rice Lake Belt claims

On July 17, 2019, the Company entered into an arm's length agreement to acquire three additional mineral claims, totaling approximately 230 hectares, on the Rice Lake belt in Manitoba, Canada. Under the terms of the purchase agreement the Company issued 150,000 shares for consideration of \$49, to the private owner of these claims.

Shares issued on exercise of RSUs

On July 22, 2019 46,668 RSUs were exercised and on July 23, 2019, 166,667 RSUs were exercised. Each RSU was converted into one common share of the Company. On January 15, 2020 166,667 RSUs were exercised and on March 16, 2020, 46,668 RSUs were exercised. Each RSU was converted into one common share of the Company.

Shares issued on exercise of options

On July 22, 2020, 6,666 shares were issued related to the exercise of stock options by an employee of the Company.

a) Options

The Company has adopted a share option plan that allows for the issuance of up to 10% of the issued and outstanding shares as incentive share options to directors, officers, employees, and consultants to the Company. Share options granted under the plan may be subject to vesting provisions as determined by the Board of Directors.

The options vest as to one-third immediately and one-third after the first and second anniversary of the date of grant.

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The Company's share options outstanding as at December 31, 2020 and 2019 and the changes for the years then ended are as follows:

	Numbers	Weighted average exercise price \$
Balance as at December 31, 2018	1,725,000	0.35
Granted – January 15, 2019	400,000	0.31
Granted – March 4, 2019	175,000	0.36
Granted – September 27, 2019	470,000	0.30
Granted – October 1, 2019	395,000	0.30
Forfeited	(205,000)	0.36
Balance as at December 31, 2019	2,960,000	0.33
Granted – August 5, 2020	275,000	0.77
Granted – August 27, 2020	760,000	0.78
Exercised	(6,666)	0.30
BALANCE AS AT DECEMBER 31, 2020	3,988,334	0.45

The total share-based payment expense recorded during the year ended December 31, 2020 was \$315 (2019: \$154).

The following table summarizes information about the share options as at December 31, 2020:

Exercise price per share of options outstanding	Number of options outstanding	Weighted average remaining life (years)	Weighted exercise price of options exercisable	Number of options exercisable	Expiry date
\$0.36	1,345,000	2.62	\$0.36	1,345,000	August 15, 2023
\$0.31	175,000	2.90	\$0.31	116,666	November 26, 2023
\$0.31	400,000	3.04	\$0.31	266,667	January 15, 2024
\$0.36	175,000	3.18	\$0.36	116,667	March 4, 2024
\$0.30	858,334	3.74	\$0.30	570,000	September 27, 2024
\$0.77	275,000	4.60	\$0.77	91,666	August 5, 2025
\$0.78	760,000	4.66	\$0.78	253,333	August 27, 2025

The fair value of options recognized has been estimated using the Black-Scholes Pricing Model with the following assumptions on the grant date of the options:

Grant date	Expected Option life (years)	Risk free interest rate	Dividend yield	Expected volatility ⁽¹⁾	Weighted average fair value
January 15, 2019	5.00	1.91%	nil	80%	\$0.18
March 4, 2019	5.00	1.80%	nil	80%	\$0.23
September 27, 2019	5.00	1.34%	nil	80%	\$0.18
October 1, 2019	5.00	1.34%	nil	80%	\$0.18
August 5, 2020	5.00	0.34%	nil	75%	\$0.46
August 27, 2020	5.00	0.41%	nil	75%	\$0.47

[1] As the Company does not have sufficient history of past share prices, the expected volatility was calculated by taking the average volatility of similar junior resource companies.

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b) Warrants

The Company's warrants outstanding as at December 31, 2020 and 2019 and the changes for the years then ended are as follows:

	Numbers	Weighted average exercise price \$
Balance as at December 31, 2018	2,440,000	1.72
Issued – January 10, 2019	192,500	0.50
Issued – March 21, 2019	33,333	0.50
Balance as at December 31, 2019	2,665,833	1.62
Issued – July 14, 2020	324,400	0.60
BALANCE AS AT DECEMBER 31, 2020	2,990,233	1.51

The balance of warrants outstanding as at December 31, 2020 is as follows:

Expiry Date	Exercise Price \$	Remaining Life (Years)	Warrants Outstanding
February 11, 2029	\$1.52	8.12	625,000
April 3, 2032	\$4.24	11.26	625,000
September 19, 2021	\$0.50	0.72	1,415,833
January 14, 2022	\$0.60	1.04	324,400

c) Restricted share units ("RSU")

The Company's RSUs outstanding as at December 31, 2020 and 2019 and the changes for the years then ended are as follows:

	Numbers
Balance at December 31, 2018	–
Granted – January 14, 2019	500,000
Granted – March 21, 2019	140,000
Exercised	(213,335)
Balance at December 31, 2019	426,665
Exercised	(213,335)
BALANCE AT DECEMBER 31, 2020	213,330

The RSUs vested one-third upon approval by the Company's shareholders of the RSU plan at the Annual General Meeting held on June 18, 2019 and one-third after the first and second anniversaries from their initial grant date. Each RSU is convertible into one common share of the Company.

The fair values of the 640,000 restricted share units granted during the year ended December 31, 2019 were between \$0.28 and \$0.31. The share-based payment from the vesting of the RSUs for the year ended December 31, 2020 was \$35 (2019: \$149).

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11. INCOME TAXES

A reconciliation of the Company's effective tax rate with the statutory tax rate for the years ended December 31, 2020 and 2019 is as follows:

	December 31, 2020	December 31, 2019
	\$	\$
Loss before tax	(6,096)	(7,835)
Statutory tax rate	27%	27%
Income tax (benefit) at statutory rate	(1,646)	(2,115)
Reconciling items:		
Share-based payments	94	81
Deferred tax asset not recognised	764	1,622
Flow-through shares	782	381
Other	11	34
INCOME TAX EXPENSE	5	3

At December 31, 2020 and 2019, deductible temporary differences for which no deferred tax assets are recognized are below:

	December 31, 2020	December 31, 2019
	\$	\$
Net operating losses	96,841	94,340
Deductible temporary differences:		
Mineral properties, plant and equipment	157,895	157,537
Asset retirement obligation	2,721	2,740
Provincial mining tax attributes	87,639	84,030
TOTAL DEDUCTIBLE DIFFERENCES	345,096	338,647

As of December 31, 2020, the Company had net operating loss carryforwards of \$96,841 (December 31, 2019 - \$94,340) which expire between 2034 and 2040.



12. RELATED PARTY TRANSACTIONS

Key Management Compensation

During the years ended December 31, 2020 and 2019, the Company incurred the following charges by directors and officers of the Company and by companies controlled by directors and officers of the Company:

	2020	2019
	\$	\$
Salaries and wages	922	615
Professional fees	21	21
Directors' fees	179	177
Management fees	–	13
Share-based payments	165	297
	1,287	1,123

All fees have been reported as general and administrative expenses, with the exception of \$190 of salaries and wages that was included in exploration expense (2019 - \$79). At December 31, 2020, accrued compensation and benefits includes \$284 (December 31, 2019 – nil) payable to officers of the Company.

Key management includes directors and executive officers of the Company. Other than the amounts disclosed above, there was no other compensation paid or payable to key management for employee services for the reported periods.

13. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern so that it can provide returns for shareholders and benefits for other stakeholders, and to explore and develop assets with a view to building a diversified mineral resource company.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital and deficit.

The Company manages the capital structure and adjusts it based on changes in economic conditions and the risk characteristics of the mineral property assets. In order to maintain or adjust the capital structure, the Company may issue new shares through equity offerings or sell assets to fund activities. Management reviews its capital management approach on a regular basis. The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year ended December 31, 2020.

Financial Instruments

The Company's financial instruments consist of cash equivalents, deposits, accounts payable and accrued liabilities. These financial instruments are classified as financial assets and liabilities at amortized cost and are reported at amortized cost.

The Company's activities potentially expose it to a variety of financial risks, including liquidity risk, interest rate risk, foreign exchange currency risk, and commodity price risk.

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Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. As at December 31, 2020, the Company had working capital (current assets less current liabilities) of \$10,170. Management believes that the Company has sufficient financial resources to meet its obligations as they come due.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has cash balances, interest-bearing bank accounts and no interest-bearing debt.

Foreign Exchange Risk

The Company's Canadian entities have a Canadian dollar functional currency. Foreign currency risk is the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Company's historical foreign currency gains and losses primarily relate to amounts on intercompany loan balances and US dollar transactions with vendors.

Commodity Price Risk

The Company is exposed to the risk of fluctuations in prevailing market commodity prices on the gold it produces. As of December 31, 2020, the Company itself had not entered into any agreements to mitigate its exposure to market price risk.

14. SUPPLEMENTAL CASH FLOW INFORMATION

Investing and financing activities that do not have a direct impact on the current cash flows are excluded from the cash flow statements. The following transactions were excluded from the statement of cash flows:

During the year ended December 31, 2020:

- The issuance of 324,400 broker warrants for share issuance costs valued at \$62; and
- The change in estimate of the retirement obligation in the amount of \$9.

During the year ended December 31, 2019:

- The movement of \$76 in mineral property exploration expenditures in accounts payable and accrued liabilities; and
- The issuance of shares for debt and services in the amount of \$59.

15. COMMITMENTS AND CONTINGENCIES

On March 16, 2018, Klondex Mines Ltd. ("Klondex") entered into an arrangement agreement (the "Arrangement Agreement") with Hecla Mining Company ("Hecla") and 1156291 B.C. Unlimited Liability Company, a wholly-owned subsidiary of Hecla. Under the terms of the Arrangement Agreement, Hecla acquired all the outstanding common shares of Klondex, and Klondex shareholders received consideration consisting of cash, shares of Hecla common stock, or a combination of cash and Hecla common stock, plus shares of a new company, Havilah Mining Corporation, formed to hold Klondex's Canadian assets comprised of Klondex Canada Ltd. ("Klondex Canada") and Bison Gold Resources, Inc. ("Bison").

Following completion of the plan of Arrangement Agreement involving Hecla and Klondex, the Company issued to Waterton Nevada Splitter, LLC ("Waterton") a warrant to acquire up to 625,000 common shares of the Company at an exercise price of \$4.24 per share and expiring April 3, 2032 (the "1911 Gold Replacement Warrant"). 1911 Gold Replacement Warrants were issued to Waterton along with a replacement warrant from Hecla (collectively the "Replacement Warrants") in accordance with the terms of the warrant certificate issued by Klondex to Waterton on October 3, 2016 (the "Original Warrant Certificate").

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On September 11, 2018 Waterton filed a claim with the Ontario Superior Court of Justice alleging breach of contract against Hecla, Klondex Mines Unlimited Liability Company and the Company for failure to honour the terms of the Original Warrant Certificate and, or in the alternative, a declaration that the Replacement Warrants do not satisfy Hecla's obligations as successor-in-interest to Klondex's obligations under the Original Warrant Certificate and a new replacement warrant. Waterton claims, among other things, that the Replacement Warrants purport to apportion the value of the original Warrant Certificate between the Hecla and 1911 Gold warrants using the aggregate transaction value of the Arrangement (as determined unilaterally by Hecla), rather than protecting the economic value of the Original Warrant Certificate, and that with the Replacement Warrants, Hecla and 1911 Gold failed to protect the economic value of Waterton's Original Warrant immediately prior to the consummation of the Arrangement. Instead it is alleged that in breach of contractual obligations, Hecla and the Company made an arbitrary allocation in a manner convenient to them, without regard for the economic value of the Original Warrant. The Company, as a party to this claim, defended the action, as did the other two defendants. The Company believes the claim is without merit. After taking no steps to advance the action for more than two years, Waterton recently indicated that it intends to proceed with production and discovery. The Company cannot determine the possible outcome of this matter.