1911 Gold Corporation
(formerly Havilah Mining Corporation)

Consolidated Annual Financial Statements

(Expressed in thousands of Canadian dollars)

For the years ended December 31, 2019 and 2018

AUDIT REPORT

1911 Gold Corporation
(formerly Havilah Mining Corporation)
Consolidated Statements of Financial Position
(Expressed in thousands of Canadian dollars)

	Note	December 31 2019	December 31 2018
		$	$
Assets			
Current			
Cash and cash equivalents		9,630	5,971
Short-term investments	**5**	-	3,000
Inventories	**6**	1,362	3,050
Prepaid expenses and other		486	651
		11,478	12,672
Non-current			
Mineral properties, plant and equipment, net	**7**	36,903	39,612
Total assets		**48,381**	**52,284**
Liabilities			
Current			
Accounts payable and accrued liabilities	**8**	1,069	1,034
Accrued compensation and benefits		384	448
Flow-through share premium liability	**10**	739	12
		2,192	1,494
Non-current			
Reclamation obligations	**11**	2,630	2,462
Total liabilities		4,822	3,956
Shareholders' equity			
Share capital	**12**	21,749	18,915
Share-based payment reserve	**12**	567	335
Contributed surplus		130,106	130,106
Deficit		(108,863)	(101,028)
		43,559	48,328
Total liabilities and shareholders' equity		**48,381**	**52,284**

Nature of operations– Note 1
Commitments and Contingencies – Note 17
Subsequent Event – Note 18

On behalf of the Board:

/s/ Blair Schultz	/s/ James Haggarty
Chairman	Director

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

1911 Gold Corporation
(formerly Havilah Mining Corporation)
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2019 and 2018
(Expressed in thousands of Canadian dollars)

	Note	2019	2018
		$	$
Revenues		12,280	17,993
Cost of sales			
Production costs		13,014	24,500
Depreciation and depletion		3,796	4,855
Write-down of inventories		-	4,025
		(4,530)	(15,387)
Other operating expenses			
General and administrative		1,719	1,426
Exploration expense		2,322	526
Loss from operations		(8,571)	(17,339)
Interest expense on Klondex Advances	**9**	-	(4,368)
Flow-through premium recovery	**10**	732	39
Foreign currency loss, net		(3)	(1,057)
Interest income		156	7
Other expenses		(195)	(221)
Reclamation obligation accretion		(168)	(156)
Gain (loss) on equipment disposal		214	(339)
Impairment of mineral properties	**7**	-	(9,674)
Net loss and comprehensive loss for the year		(7,835)	(33,108)
Loss per share			
Basic and diluted		(0.22)	(1.19)
Weighted average number of shares outstanding			
Basic and diluted		36,247,978	27,795,432

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1911 Gold Corporation
(formerly Havilah Mining Corporation)
Consolidated Statements of Cash Flows
For the years ended December 31, 2019 and 2018
(Expressed in thousands of Canadian dollars)

	Note	2019	2018
Cash (used in) provided by:		**$**	**$**
Operating activities			
Net loss and comprehensive loss for the year		(7,835)	(33,108)
Depreciation and depletion		3,389	4,911
Write-down of production inventories, non-cash portion		-	372
Foreign currency loss, net		3	1,057
Share-based payments		304	335
(Gain) loss on disposal of equipment		(214)	339
Gain on issuance of shares for services and debt		(17)	-
Shares issued for Rice Lake Belt claims	**12**	49	-
Flow-through premium recovery	**10**	(732)	(39)
Accretion on reclamation obligation		168	156
Interest on advances from Klondex Mines Ltd. ("Klondex")	**9**	-	4,521
Allocation of administration costs from Klondex		-	240
Impairment on mineral properties, plant and equipment	**7**	-	9,674
Changes in non-cash working capital items			
Inventories		1,688	8,690
Prepaid expenses and other		165	1,572
Accounts payable		165	(8,597)
Accrued compensation and benefits		(64)	(373)
		(2,931)	(10,250)
Investing activities			
Expenditures on mineral property, plant and equipment		(694)	(609)
Proceeds on disposal of equipment		230	239
Short-term investments		3,000	(3,000)
Change in accounts payable related to expenditures on mineral properties, plant and equipment		(76)	-
		2,460	(3,370)
Financing activities			
Proceeds from private placement, net of share issuance costs		4,130	10,203
Funding and expenses paid by Klondex	**9**	-	3,705
		4,130	13,908
Increase in cash		3,659	288
Cash and cash equivalents - beginning of year		5,971	5,683
Cash and cash equivalents - end of year		9,630	5,971
Components of cash:			
Cash		9,630	2,971
Cash equivalents		-	3,000

Supplemental cash flow information – Note 16

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

1911 Gold Corporation
(formerly Havilah Mining Corporation)
Consolidated Statements of Changes in Equity
(Expressed in thousands of Canadian dollars)

	Note	Number of common shares	Share capital	Share–based payment reserve	Other capital reserves	Contributed Surplus	Deficit	Total
			$	$	$	$	$	$
Balance, December 31, 2017		–	–	–	129,346	–	(67,920)	61,426
Funding and expenses paid by Klondex		–	–	–	9,523	–	–	9,523
Shares issued pursuant to Klondex Arrangement Agreement	**2,12**	22,755,979	8,763	–	(8,763)	–	–	–
Adjustment to Shares issued in connection with Klondex Arrangement Agreement	**2**	–	–	–	(130,106)	130,106	–	–
Shares Issued by private placement	**12**	3,539,332	9,243	–	–	–	–	9,243
Shares Issued by private placement	**12**	2,380,000	960	–	–	–	–	960
Flow–through share premium	**10**	–	(51)	–	–	–	–	(51)
Share based payments		–	–	335	–	–	–	335
Loss for the year		–	–	–	–	–	(33,108)	(33,108)
Balance, December 31, 2018		28,675,311	18,915	335	–	130,106	(101,028)	48,328
Shares Issued by private placement	**12**	385,000	110	–	–	–	–	110
Shares Issued by private placement	**12**	8,333,333	4,000	–	–	–	–	4,000
Shares Issued by private placement	**12**	66,667	20	–	–	–	–	20
Flow–through share premium	**10**	–	(1,459)	–	–	–	–	(1,459)
Shares issued for debt	**12**	100,000	27	–	–	–	–	27
Shares issued for services	**12**	52,083	15	–	–	–	–	15
Acquisition of Rice Lake Belt claims	**12**	150,000	49	–	–	–	–	49
Exercise of RSUs	**12**	213,335	72	(72)	–	–	–	–
Share based payments		–	–	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

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

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 Ogama-Rockland properties ("Ogama"), both located in Manitoba, Canada. The Company was incorporated under the British Columbia Business Corporations Act on May 3, 2018 and is a corporation listed publicly on the TSX Venture Exchange (“TSX-V”). On June 18, 2019, the Company changed its name to 1911 Gold Corporation and is now trading on the TSX-V trading under the new stock symbol “AUMB”.

1911 Gold’s registered office is located at 666 Burrard Street, 25th Floor, Vancouver, British Columbia, V6C 2X8.

2. Basis of presentation

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, 1911 Gold Corporation (formerly Havilah Mining Corporation), formed to hold Klondex’s Canadian assets comprised of Klondex Canada Ltd. (“Klondex Canada”) and Bison Gold Resources, Inc. (“Bison”).

After the Arrangement Agreement was completed on July 20, 2018, 1911 Gold holds Klondex's former Canadian assets, which are comprised of Klondex Canada Ltd., which holds True North and Bison Gold Resources Inc. which holds Ogama, the 10% buy-back rights on the Snow Lake Property, and various early-stage assets located in Manitoba and Ontario, Canada. Klondex placed True North into production in the third quarter of 2016 and operations continued until January 9, 2018, when the True North underground mining operations were placed on care and maintenance.

As the shareholders of Klondex continued to hold their respective interests in 1911 Gold, there was no resultant change in control of 1911 Gold. The Arrangement Agreement has thus been determined to be a capital reorganization (the “Reorganization”), and is excluded from the scope of IFRS 3, Business Combinations. Under the continuity of interest basis of accounting, the assets and liabilities transferred are recorded at their pre-arrangement carrying values. The statements of loss and comprehensive loss for December 31, 2018 include the historical income and expenses related to Klondex Canada and Bison. Up to the date of the Reorganization, amounts advanced by Klondex to 1911 Gold were reflected as other capital reserves in the consolidated statements of changes in equity. The carve-out entity did not operate as a separate legal entity and as such, the financial statements may not be indicative of the financial performance of the carve-out entity on a standalone basis and do not necessarily reflect what its results of operations, financial position and cash flows would have been had the carve-out entity operated as an independent entity during the year ended December 31, 2018.

(Expressed in thousands of Canadian dollars)

The carrying value of the net assets received pursuant to the Arrangement Agreement, as at July 20, 2018 are as follows:

Assets:	
Cash and cash equivalents	5
Inventories	6,142
Prepaid expenses and other assets	744
Mineral properties, plant and equipment, net	52,171
Total assets	59,062
Liabilities:	
Accounts payable	111
Accrued compensation and benefits	181
Reclamation obligations	2,384
Carrying value of net assets	**56,386**
Accumulated losses	82,483
Subtotal	138,869
Shares issued pursuant to the Arrangement Agreement	8,763
Adjustment for shares issued in connection with the Arrangement	**(130,106)**

An adjustment of $130,106 was made through contributed surplus to reconcile: i) the carrying values of the net assets contributed and recorded under the continuity of interest basis of accounting, to the fair value of the common shares issued upon closing of the Arrangement Agreement; and ii) the allocated accumulated losses which amounted to $82,483 up to the close of the Arrangement Agreement.

On July 3 2019, the Company amalgamated its 100% owned subsidiary, Bison Gold Resources Inc. into its other 100% owned subsidiary, 1911 Gold Canada Ltd. On December 1, 2019, 1911 Gold Corp. and 1911 Gold Canada Ltd. were then amalgamated.

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"), effective for the Company's reporting for the year ended December 31, 2019. These consolidated financial statements were approved by the Board of Directors on April 28, 2020. 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:

Changes in accounting policies - IFRS 16

The Company adopted all of the requirements of IFRS 16 *Leases* as of January 1, 2019. IFRS 16 replaces IAS 17 *Leases* ("IAS 17"). IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Company has adopted IFRS 16 using the modified retrospective application method, where the 2018 comparatives are not restated and a cumulative catch up adjustment is recorded on January 1, 2019 for any differences identified, including adjustments to opening retained earnings balance. The Company analyzed its contracts to identify whether they contain a lease arrangement for the application of IFRS 16. No such contracts were identified, and as a result, the adoption of IFRS 16 resulted in no impact to the financial statements.

The following is the Company's new accounting policy for financial instruments under IFRS 16:

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.

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.

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.

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.

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 and are reported 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 of 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. Refined bullion meets the required market standards of 99.95% pure gold. 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 long-lived assets

At each reporting period end, the Company reviews its long-lived assets, which include capitalized costs for the acquisition of mineral properties, plant and equipment, to determine whether any indications of impairment exist. If any such indication exists, the recoverable amount of the relevant cash generating unit ("CGU") is estimated in order to determine the extent of an impairment, if any. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, which for 1911 Gold means its individual mine sites. The recoverable amount is determined as the higher of fair value less direct costs of disposal ("FVLCD") and the asset's value in use (VIU"). FVLCD is the estimated amount that would be obtained from the sale of an asset or CGU in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal. For mineral assets, when a binding sale agreement is not readily available, FVLCD is often estimated using a discounted post-tax cash flow approach. In assessing VIU, the estimated future pre-tax cash flows of an asset or CGU are discounted to their present value. Estimated future cash flows are computed using estimated recoverable gold ounces from period end mineral resources, estimates of future gold selling prices, and estimates of future operating, capital, and decommissioning costs. If the carrying amount of an asset or CGU exceeds its estimated recoverable amount, the carrying amount of such asset or CGU is reduced to its estimated recoverable amount and an impairment loss is recognized. Assets or CGUs that have been impaired are tested for possible reversal of the impairment charge whenever events or changes in circumstances indicate that the impairment may have reversed.

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 13(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 will from time to time, 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 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 10. 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.

4. Critical accounting estimates and judgments

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.

(Expressed in thousands of Canadian dollars)

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 the carrying values of its mineral properties on an annual basis, or when an impairment indicator exists, to determine whether an impairment should be recognized. 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.

5. Short-term investments

Short-term investments include GIC investments with original maturities of one year or less.

6. Inventories

	December 31 2019	December 31 2018
	$	$
Production related inventories:		
Supplies	1,145	1,374
In-process	217	1,566
Doré finished goods	-	110
	1,362	3,050

As at December 31, 2019 the in-process, and doré finished goods inventories included approximately $47 (2018 - $452) of capitalized non-cash depreciation and depletion costs.

The period-end market value of the Company’s production-related inventories is determined in part by using the period-end prices of gold and is sensitive to this input. Due to higher production costs, the Company’s application of its lower of average cost or net realizable value accounting policy historically resulted in write-downs of production inventories. Write-downs have resulted solely from the Company’s application of its lower of average cost or net realizable value accounting policy.

The following table provides information about the Company's write-downs (in thousands, except per ounce amounts):

	December 31 2019	December 31 2018
	$	$
Type of previously incurred cost		
Cash production costs	–	3,653
Allocated depreciation and depletion	–	372
Write-down of production inventories	–	4,025
Prices used in write-down calculation		
Price per gold ounce - US$	1,523	1,282

7. Mining properties, plant and equipment

	Note	Plant and equipment	Mineral properties	Total
		$	$	$
Cost				
Balance at December 31, 2017		30,401	62,922	93,323
Additions		359	22	381
Transfer		–	(1,222)	(1,222)
Disposals		(832)	–	(832)
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
Accumulated depreciation and depletion				
Balance at December 31, 2017		(16,815)	(22,114)	(38,929)
Additions		(4,678)	(233)	(4,911)
Disposals		254	–	254
Transfer		–	1,222	1,222
Impairment		–	(9,674)	(9,674)
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)
Net – December 31, 2018		**8,689**	**30,923**	**39,612**
Net – December 31, 2019		**5,780**	**31,123**	**36,903**

Plant and equipment at December 31, 2019 includes $nil (December 31, 2018 - $142) of construction in progress. During the year ended December 31, 2018, the Company completed an evaluation of existing mine plans related to the True North underground mine as well as future development plans for the Company's properties. The Company determined that the existing mine plans would not be economic at the current commodity price levels and the net development costs ($9,674) associated with these mine plans were written off during the year.

(Expressed in thousands of Canadian dollars)

As a result of the shutdown of mining operations 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.

8. Accounts payable and accrued liabilities

	December 31 2019	December 31 2018
	$	$
Accounts payable	656	717
Accrued liabilities	413	317
	1,069	1,034

9. Advances from Klondex

As at December 31, 2019 and December 31, 2018, the Company had no outstanding debt.

Corporate Charges from Klondex
Prior to the completion of the Amalgamation Agreement, the corporate activities for the Company were performed by Klondex. These activities were charged to 1911 Gold during that period and included in general and administrative expense.

Interest on Advances from Klondex Mines Ltd.
Interest charges from Klondex to 1911 Gold are for previously advanced funds through various debt obligations existing prior to the Arrangement Agreement. Interest was charged at a rate per annum equal to the sum of LIBOR and 7.0% on the unpaid principal balance. All debt obligations arising from these advances were settled on completion of the Arrangement Agreement. The interest expense on advances from Klondex for the year ended December 31, 2019 was $nil (2018 - $4,368)

10. Flow-through share premium liability

The flow-through share premium liability balance as at December 31, 2019 of $739 (December 31, 2018 - $12) arose in connection with the flow-through share offerings the Company completed on September 19, 2018 and March 18, 2019 (Note 13(b)). The reported amount is the unamortized balance of the premium received from issuing the flow-through shares. This balance does not represent a cash liability to the Company. The flow-through premium liability will be amortized to the statement of loss pro-rata with the amount of qualifying flow-through expenditures that are incurred by the Company. The Company is committed to incurring qualifying Canadian exploration expenses as defined under the Canadian Income Act ("Qualifying CEE") in the amount of $725 with respect to the flow-through share financing completed on September 19, 2018, and $4,000 with respect to the flow-through share financing completed on March 18, 2019. None of the Qualifying CEE will be available to the Company for future deduction from taxable income. As at December 31, 2019, the Company had incurred $725 of the Qualifying CEE related to the

(Expressed in thousands of Canadian dollars)

September 19, 2018 private placement (2018 - $556), and $1,974 of the Qualifying CEE related to the March 18, 2019 private placement. Accordingly, the Company recognized a flow-through premium recovery of $732 during the year ended December 31, 2019 from the qualifying CEE related to the September 19, 2018 and March 18, 2019 private placements (2018 - $39). The remaining $2,026 of Qualifying CEE must be incurred and renounced by December 31, 2020.

11. 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 estimated cash flows required to settle the reclamation obligation was estimated at $9,824 as at December 31, 2019 (December 31, 2018 – $9,824).

The key assumptions on which the provision estimates were based for the years ended December 31, 2019 and 2018 are:

- Expected timing of the cash flows is expected to occur between 2039-2041 based on the estimated useful life of True North.
- The inflation rate used for the year ended December 31, 2019 is 2.40% (2018 – 2.40%).
- The discount rate used for the year ended December 31, 2019 is 6.80% (2018 – 6.80%).

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

	$
Balance at December 31, 2017	2,306
Accretion expense	156
Balance at December 31, 2018	2,462
Accretion expense	168
Balance at December 31, 2019	2,630

12. Share Capital

a) Authorized: Unlimited common shares without par value.

b) Shares issued

Acquisition of Klondex Mines Ltd.

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. On July 20, 2018, the Arrangement Agreement was completed and 22,755,979 common shares were issued to Klondex shareholders as consideration for Klondex' Canadian operations, Klondex Canada Ltd. and Bison Gold Resources, Inc.

Private Placements

On July 20, 2018, as part of the Arrangement Agreement (Note 2), Hecla subscribed for 3,539,332 common shares of the Company, on a private placement basis at a price of $2.61 per share for a gross purchase price of $9,243 (US$7,000).

On September 19, 2018, the Company issued 655,000 units ("Units") of the Company, with each Unit comprised of one common share of the Company ("Common Share") and one-half of one Common Share purchase warrant (each whole Common Share purchase warrant, a "Warrant"), at a price of $0.36 per Unit, and 1,725,000 units ("FT Units") of the Company, with each FT Unit comprised of one Common Share issued on a flow-through basis (within the meaning of the Income Tax Act (Canada), as amended), and one-half of one Warrant, at a price of $0.42 per FT Unit. Each Warrant will entitle the holder thereof to purchase one additional Common Share at a price of $0.50 per Common Share for a period of 36 months following the closing of the Offering. The fair value of the flow-through shares was determined to be $673 with the remaining $51 being allocated to flow-through premium liability (Note 10). No value has been allocated to the warrants issued.

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 18, 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 10).

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.

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 is 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 is 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.

(Expressed in thousands of Canadian dollars)

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.

c) 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.

The Company's share options outstanding as at December 31, 2019 and 2018 and the changes for the years then ended are as follows:

	Number	Weighted average exercise price
		$
Balance as at December 31, 2017	–	–
Granted – August 15, 2018	1,550,000	0.36
Granted – November 26, 2018	175,000	0.31
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	(185,000)	0.36
Balance as at December 31, 2019	2,980,000	0.33

The total share-based payment expense recorded during the year ended December 31, 2019 was $154 (2018: $335).

The following table summarizes information about the share options as at December 31, 2019:

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	1,540,000	3.62	$0.36	1,540,000	August 15, 2023
$0.31	175,000	3.91	$0.31	116,666	November 26, 2023
$0.31	400,000	4.04	$0.31	66,667	January 15, 2024
$0.36	175,000	4.18	$0.36	133,333	March 4, 2024
$0.30	865,000	4.75	$0.30	288,333	September 27, 2024

(Expressed in thousands of Canadian dollars)

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
August 15, 2018	5.00	2.18%	nil	80%	$0.21
November 26, 2018	5.00	2.27%	nil	80%	$0.20
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

(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.

d) Warrants

The Company's warrants outstanding as at December 31, 2019 and December 31, 2018 and the changes for the years then ended are as follows:

	Number	Weighted average exercise price
		$
Balance as at December 31, 2017	–	–
Transferred under the Arrangement Agreement – July 20, 2018	625,000	1.52
Transferred under the Arrangement Agreement – July 20, 2018	625,000	4.24
Issued – September 19, 2018	1,190,000	0.50
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

The balance of warrants outstanding as at December 31, 2019 is as follows:

Expiry Date	Exercise Price $	Remaining Life (Years)	Warrants Outstanding
February 11, 2029	$1.52	9.12	625,000
April 3, 2032	$4.24	12.27	625,000
September 19, 2021	$0.50	1.72	1,415,833

(Expressed in thousands of Canadian dollars)

e) Restricted share units ("RSU")

The Company's RSUs outstanding as at December 31, 2019 and December 31, 2018 and the changes for the years then ended are as follows:

	Number
Balance as at December 31, 2018 and 2017	–
Granted – January 14, 2019	500,000
Granted – March 21, 2019	140,000
Exercised	(213,335)
Balance as at December 31, 2019	426,665

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, 2019 was $149 (2018: $nil)

13. Income taxes

No tax expense or benefit was recorded for the years ended December 31, 2019 and 2018.

A reconciliation of the Company's effective tax rate with the statutory tax rate for the years ended December 31, 2019 and 2018 is as follows:

	December 31, 2019	**December 31, 2018**
	$	**$**
Loss before tax	(7,835)	(33,108)
Statutory tax rate	27%	27%
Income tax (benefit) at statutory rate	(2,115)	(8,939)
Reconciling items:		
Share-based payments	81	98
Deferred tax asset not recognised	1,622	5,250
Other	415	3,591
Income tax expense	3	–

(Expressed in thousands of Canadian dollars)

At December 31, 2019 and 2018, deductible temporary differences for which no deferred tax assets are recognized are below:

	December 31, 2019	December 31, 2018
	$	$
Net operating losses	94,340	82,307
Deductible temporary differences:		
Mineral properties, plant and equipment	157,537	163,752
Asset retirement obligation	2,740	2,462
Provincial mining tax attributes	84,030	78,153
Total deductible differences	338,646	326,674

As of December 31, 2019, the Company had net operating loss carryforwards of $94,340 (December 31, 2018 - $90,647) which expire between 2036 and 2039.

14. Related party transactions

Key Management Compensation

During the years ended December 31, 2019 and 2018, the Company incurred the following charges by directors and officers of the Company and by companies controlled by directors and officers of the Company. For part of the year ended December 31, 2018, the Company operated as a subsidiary of Klondex, therefore no compensation was paid to Directors or Officers during that time.

	2019	2018
	$	$
Salaries and wages	615	–
Professional fees	21	10
Directors' fees	177	94
Management fees	13	280
Share–based payments	297	333
	1,123	717

All fees have been reported as general and administrative expenses, with the exception of $79 of salaries and wages that was included in exploration expense (2018 - $nil).

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.

15. 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.

Management reviews its capital management policies on an ongoing basis. There were no changes in the Company's approach to capital management during the year ended December 31, 2019.

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.

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, 2019, the Company had working capital (current assets less current liabilities) of $9,286. 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. The Company also invests excess cash in short term GIC's. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on the estimated fair value as at December 31, 2019.

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. Subsequent to the Arrangement Agreement the Company has had minimal US dollar transactions.

Commodity Price Risk
The Company is exposed to the risk of fluctuations in prevailing market commodity prices on the gold it produces. Prior to completion of the Arrangement Agreement, the Company's parent, Klondex, would mitigate price risk by entering into derivative financial instruments, such as fixed forward sales and collars. As of December 31, 2019, the Company itself had not entered into any agreements to mitigate its exposure to market price risk.

16. 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, 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.

During the year ended December 31, 2018:

- The issuance of 22,755,979 common shares valued at $8,763 pursuant to the Klondex Arrangement Agreement (Note 12(b)).
- The movement of $228 in mineral property exploration expenditures in accounts payable and accrued liabilities.

17. Commitments and Contingencies

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").

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, is working with counsel to evaluate the merits of the claim by Waterton and, at this time, cannot determine the possible outcome of this matter.

18. Subsequent Events

Restricted Share Units

On January 15, 2020, 166,667 RSU's were exercised and each RSU was converted to one common share of the Company.

Novel Coronavirus

The Company's business could be adversely affected by the effects of the recent outbreak of respiratory illness caused by the novel coronavirus ("COVID 19"). Since early March 2020, several significant measures have been implemented in Canada and the rest of the world by authorities in response to the increased impact from COVID-19. While the impact to the Company's supply chain is expected to be minimal in the short term given the preparations that have already occurred, 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 as a result of uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. The continued spread 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 2020.

The Company temporarily suspended operations in March to reduce possible exposure to COVID-19 at site and in the surrounding communities. The Company is monitoring the situation and currently expects to recommence operations in May, however this could change as the situation continues to evolve. The current circumstances are dynamic and the impacts on the Company's operating and exploration activities cannot be reasonably estimated at this time.