



# **1911 Gold Corporation**

## **Condensed Interim Consolidated Financial Statements**

(Unaudited - expressed in thousands of Canadian dollars)

For the three and nine months ended September 30, 2020 and 2019

## **NOTICE OF NO AUDITOR REVIEW OF**

### **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards and reviewed by the Audit Committee and Board of Directors of the Company.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by an entity's auditor.

**1911 Gold Corporation**  
**Condensed Interim Consolidated Statements of Financial Position**  
*(Unaudited - expressed in thousands of Canadian dollars)*

	Note	September 30, 2020	December 31, 2019
		\$	\$
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents		8,955	9,630
Inventories	5	2,565	1,362
Prepaid expenses and other		516	486
		12,036	11,478
<b>Non-current</b>			
Mineral properties, plant and equipment, net	6	34,903	36,903
<b>Total assets</b>		<b>46,939</b>	<b>48,381</b>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	7	1,149	1,069
Accrued compensation and benefits		505	384
Flow-through share premium liability	8	918	739
		2,572	2,192
<b>Non-current</b>			
Reclamation obligations	9	2,765	2,630
<b>Total liabilities</b>		<b>5,337</b>	<b>4,822</b>
<b>Shareholders' equity</b>			
Share capital	10	25,594	21,749
Share-based payment reserve	10	651	567
Contributed surplus		130,106	130,106
Deficit		(114,749)	(108,863)
		41,602	43,559
<b>Total liabilities and shareholders' equity</b>		<b>46,939</b>	<b>48,381</b>

Nature of operations— Note 1  
 Commitments and Contingencies – Note 14

On behalf of the Board:

/s/ Mike Hoffman  
 Chairman

/s/ James Haggarty  
 Director

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

# 1911 Gold Corporation

## Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

For the three and nine months ended September 30, 2020 and 2019

*(Unaudited - expressed in thousands of Canadian dollars, except for share and per share amounts)*

	Note	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
		\$	\$	\$	\$
<b>Revenues</b>		5,219	6,181	5,491	6,960
<b>Cost of sales</b>					
Production costs		2,816	3,360	6,170	8,666
Depreciation and depletion		638	824	1,864	2,642
		1,765	1,997	(2,543)	(4,348)
<b>Other operating expenses</b>					
General and administrative		617	475	1,468	1,309
Exploration expense		767	499	2,632	1,474
<b>Profit (Loss) from operations</b>		381	1,023	(6,643)	(7,131)
Flow-through premium recovery	<b>8</b>	186	223	847	468
Foreign currency gain (loss), net		1	(1)	1	(4)
Interest income		6	24	50	105
Other income (expenses)		—	3	(6)	33
Reclamation obligation accretion		(48)	(42)	(135)	(126)
<b>Net income (loss) and comprehensive income (loss) for the period</b>		526	1,230	(5,886)	(6,655)
<b>Earnings (loss) per share</b>					
Basic and diluted		0.01	0.03	(0.15)	(0.19)
<b>Weighted average number of shares outstanding</b>					
Basic		45,235,513	37,893,736	40,524,433	35,667,857
Diluted		46,857,542	37,893,736	40,524,433	35,667,857

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

**1911 Gold Corporation**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**For the nine months ended September 30, 2020 and 2019**  
*(Unaudited - expressed in thousands of Canadian dollars)*

		Nine months ended September 30,	
	Note	2020	2019
<b>Cash (used in) provided by:</b>		<b>\$</b>	<b>\$</b>
<b>Operating activities</b>			
Net loss and comprehensive loss for the period		(5,886)	(6,655)
Depreciation and depletion		2,078	2,573
Flow-through premium recovery	8	(847)	(468)
Accretion on reclamation obligation	9	135	126
Shares issued for Rice Lake Belt claims		–	49
Share-based payments	10	85	47
Foreign currency loss, net		(1)	4
Gain on disposal of equipment		–	(2)
Gain on issuance of shares for services and debt		–	(17)
Changes in non-cash working capital items			
Inventories		(1,203)	(155)
Prepaid expenses and other		(30)	186
Accounts payable		81	239
Accrued compensation and benefits		121	(240)
		(5,467)	(4,313)
<b>Investing activities</b>			
Expenditures on mineral property, plant and equipment		(78)	(691)
Change in accounts payable related to expenditures on mineral properties, plant and equipment		–	(76)
Proceeds on disposal of equipment		–	18
Short-term investments		–	3,000
		(78)	2,251
<b>Financing activities</b>			
Proceeds from private placement, net of share issuance costs		4,868	4,130
Exercise of options		2	–
Exercise of RSUs		–	72
		4,870	4,202
<b>(Decrease) increase in cash</b>		<b>(675)</b>	<b>2,140</b>
<b>Cash and cash equivalents - beginning of period</b>		<b>9,630</b>	<b>5,971</b>
<b>Cash and cash equivalents - end of period</b>		<b>8,955</b>	<b>8,111</b>

Supplemental cash flow information – Note 13

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

**1911 Gold Corporation**  
**Condensed Interim Consolidated Statements of Changes in Equity**  
*(Unaudited - expressed in thousands of Canadian dollars)*

	Note	Number of common shares	Share capital	Share-based payment reserve	Contributed Surplus	Deficit	Total
			\$	\$	\$	\$	\$
<b>Balance, December 31, 2018</b>		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	—	—	47	—	—	47
Loss for the period		—	—	—	—	(6,655)	(6,655)
<b>Balance, September 30, 2019</b>		37,975,729	21,749	382	130,106	(107,683)	44,554
Exercise of RSUs		—	—	(72)	—	—	(72)
Share based payments		—	—	257	—	—	257
Income for the period		—	—	—	—	(1,180)	(1,180)
<b>Balance, December 31, 2019</b>		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	—	—	85	—	—	85
Loss for the period		—	—	—	—	(5,886)	(5,886)
<b>Balance, September 30, 2020</b>		46,395,730	25,594	651	130,106	(114,749)	41,602

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

# 1911 Gold Corporation

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2020 and 2019

(Unaudited - expressed in thousands of Canadian dollars)

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### 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". The Company's registered office is located at 666 Burrard Street, 25<sup>th</sup> Floor, Vancouver, British Columbia, V6C 2X8.

### 2. Basis of presentation

#### Statement of compliance and functional currency

These condensed interim consolidated financial statements have been presented in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"), applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*.

These condensed interim consolidated financial statements have been prepared on a historical cost basis. These condensed interim 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.

These condensed interim consolidated financial statements were approved by the Board of Directors on November 25, 2020.

### 3. Accounting policies

In the preparation of these condensed interim consolidated financial statements, the Company has used the same accounting policies and methods of computation as in the most recent audited annual financial statements for the Company for the year ended December 31, 2019.

#### Accounting standards issued but not yet effective

There are no accounting pronouncements with future effective dates that are applicable or are expected to have a material impact on the Company's financial statements.

### 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.

# 1911 Gold Corporation

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2020 and 2019

(Unaudited - expressed in thousands of Canadian dollars)

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"). 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 to date has been minimal, 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 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 2020.

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

	September 30 2020	December 31 2019
	\$	\$
Production related inventories:		
Supplies	1,072	1,145
In-process	1,036	217
Doré finished goods	457	—
	2,565	1,362

As at September 30, 2020, the in-process, and doré finished goods inventories included approximately \$260 (2019 - \$47) of capitalized non-cash depreciation and depletion costs.

During the periods ended September 30, 2020 and December 31, 2019, no write-downs were made on inventory.



# 1911 Gold Corporation

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2020 and 2019

(Unaudited - expressed in thousands of Canadian dollars)

### 6. Mining properties, plant and equipment

	Plant and equipment	Mineral properties	Total
	\$	\$	\$
<b>Cost</b>			
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	78	-	78
Balance at September 30, 2020	29,327	61,922	91,249
<b>Accumulated depreciation and depletion</b>			
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	(2,078)	-	(2,078)
Balance at September 30, 2020	(25,547)	(30,799)	(56,346)
<b>Net – December 31, 2019</b>	<b>5,780</b>	<b>31,123</b>	<b>36,903</b>
<b>Net – September 30, 2020</b>	<b>3,780</b>	<b>31,123</b>	<b>34,903</b>

Plant and equipment at September 30, 2020 includes \$16 (December 31, 2019 - \$nil) of construction in progress.

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.

### 7. Accounts payable and accrued liabilities

	September 30 2020	December 31 2019
	\$	\$
Accounts payable	787	656
Accrued liabilities	362	413
	1,149	1,069

# 1911 Gold Corporation

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2020 and 2019

(Unaudited - expressed in thousands of Canadian dollars)

### 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:

	\$
<b>Balance at December 31, 2018</b>	12
Liability incurred on flow-through shares issued during the year	1,459
Settlement of flow-through share liability on incurred expenditures	(732)
<b>Balance at December 31, 2019</b>	739
Liability incurred on flow-through shares issued during the period	1,026
Settlement of flow-through share liability on incurred expenditures	(847)
<b>Balance at September 30, 2020</b>	918

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 income (loss) and comprehensive income (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 resident 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 resident 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 nine months ended September 30, 2020, the Company incurred \$2,581 of eligible flow-through expenditure, representing 100% of the previous commitment from flow-through share issuance in March 2019 and 11% of the flow-through share issuance in July 2020. A total flow-through share premium liability of \$847 was amortized to flow-through premium recovery on the statement of income (loss) and comprehensive income (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 estimated cash flows required to settle the reclamation obligation was estimated at \$9,824 as at September 30, 2020 (December 31, 2019 – \$9,824).

The key assumptions on which the provision estimates were based for the periods ended September 30, 2020 and December 31, 2019 are:

- Expected timing of the cash flows is expected to occur between 2023-2041 based on the estimated useful life of True North.

# 1911 Gold Corporation

## Notes to the Condensed Interim Consolidated Financial Statements

### For the three and nine months ended September 30, 2020 and 2019

(Unaudited - expressed in thousands of Canadian dollars)

- The inflation rate used for the period ended September 30, 2020 is 2.40% (year ended December 31, 2019 – 2.40%).
- The discount rate used for the period ended September 30, 2020 is 6.80% (year ended December 31, 2019 – 6.80%).

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

	\$
<b>Balance at December 31, 2018</b>	2,462
Accretion expense	168
<b>Balance at December 31, 2019</b>	2,630
Accretion expense	135
<b>Balance at September 30, 2020</b>	2,765

## 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 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.

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 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 resident 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 resident 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

**1911 Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2020 and 2019**  
*(Unaudited - expressed in thousands of Canadian dollars)*

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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 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.

**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.

**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.

# 1911 Gold Corporation

## Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2020 and 2019

(Unaudited - expressed in thousands of Canadian dollars)

The Company's share options outstanding as at September 30, 2020 and December 31, 2019 and the changes for the periods then ended are as follows:

	Number	Weighted average exercise price
		\$
<b>Balance as at December 31, 2018</b>	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
<b>Balance as at December 31, 2019</b>	2,960,000	0.33
Granted – October 1, 2019	1,035,000	0.78
Exercised	(6,666)	0.30
<b>Balance as at September 30, 2020</b>	3,988,334	0.45

The total share-based payment expense recorded during the nine months ended September 30, 2020 was \$58 (2019: \$47).

The following table summarizes information about the share options as at September 30, 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	2.87	\$0.36	1,345,000	August 15, 2023
\$0.31	175,000	3.16	\$0.31	116,666	November 26, 2023
\$0.31	400,000	3.29	\$0.31	266,667	January 15, 2024
\$0.36	175,000	3.43	\$0.36	116,667	March 4, 2024
\$0.30	858,334	3.99	\$0.30	570,000	September 27, 2024
\$0.77	275,000	4.85	\$0.77	–	August 5, 2025
\$0.78	760,000	4.91	\$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 <sup>(1)</sup>	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

<sup>(1)</sup> 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.

# 1911 Gold Corporation

## Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2020 and 2019

(Unaudited - expressed in thousands of Canadian dollars)

### d) Warrants

The Company's warrants outstanding as at September 30, 2020 and December 31, 2019 and the changes for the periods then ended are as follows:

	Number	Weighted average exercise price
		\$
<b>Balance as at December 31, 2018</b>	2,440,000	1.72
Issued – January 10, 2019	192,500	0.50
Issued – March 21, 2019	33,333	0.50
<b>Balance as at December 31, 2019</b>	2,665,833	1.62
Issued – July 14, 2020	324,400	0.60
<b>Balance as at September 30, 2020</b>	2,990,233	1.51

The balance of warrants outstanding as at September 30, 2020 is as follows:

Expiry Date	Exercise Price \$	Remaining Life (Years)	Warrants Outstanding
February 11, 2029	\$1.52	8.37	625,000
April 3, 2032	\$4.24	11.52	625,000
September 19, 2021	\$0.50	0.97	1,415,833
January 14, 2022	\$0.60	1.29	324,400

### e) Restricted share units ("RSU")

The Company's RSUs outstanding as at September 30, 2020 and December 31, 2019 and the changes for the periods then ended are as follows:

	Number
<b>Balance as at December 31, 2018</b>	–
Granted – January 14, 2019	500,000
Granted – March 21, 2019	140,000
Exercised	(213,335)
<b>Balance as at December 31, 2019</b>	426,665
Exercised	(213,335)
<b>Balance as at September 30, 2020</b>	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 period ended September 30, 2020 was \$27 (2019: \$nil).

# 1911 Gold Corporation

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2020 and 2019

(Unaudited - expressed in thousands of Canadian dollars)

### 11. Related party transactions

#### Key Management Compensation

During the three and nine months ended September 30, 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:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
			\$	\$
Salaries and wages	163	156	672	460
Professional fees	5	2	11	13
Directors' fees	45	45	137	131
Management fees	—	—	—	13
Share-based payments	24	21	80	183
	237	224	900	800

All fees have been reported as general and administrative expenses, with the exception of \$142 of salaries and wages that was included in exploration expense (2019 - \$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.

### 12. 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 period ended September 30, 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.

# 1911 Gold Corporation

## Notes to the Condensed Interim Consolidated Financial Statements

### For the three and nine months ended September 30, 2020 and 2019

(Unaudited - expressed in thousands of Canadian dollars)

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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 September 30, 2020, the Company had working capital (current assets less current liabilities) of \$9,464. 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 September 30, 2020, the Company itself had not entered into any agreements to mitigate its exposure to market price risk.

### 13. 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 nine months ended September 30, 2020:

- The issuance of 324,400 broker warrants for share issuance costs valued at \$62.

During the nine months ended September 30, 2019:

- The movement of \$11 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.

### 14. 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



# 1911 Gold Corporation

## Notes to the Condensed Interim Consolidated Financial Statements

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*(Unaudited - expressed in thousands of Canadian dollars)*

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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, defended the action, as did the other two defendants. Waterton subsequently filed an Affidavit of documents with the Ontario Supreme Court of Justice on November 11, 2020. While 1911 Gold continues to believe the claim is without merit, the Company cannot determine the possible outcome of this matter.