



**LINCOLN GOLD MINING INC**  
(Formerly - Lincoln Mining Corporation)

**CONSOLIDATED FINANCIAL STATEMENTS**

for the years ended December 31, 2019

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Lincoln Gold Mining Inc. (formerly Lincoln Mining Corporation)

### *Opinion*

We have audited the accompanying consolidated financial statements of Lincoln Gold Mining Inc. (formerly Lincoln Mining Corporation) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

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

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 2 of the consolidated financial statements, which indicates that the Company has a working capital deficiency of \$2,817,436 and total liabilities of \$3,052,542 at December 31, 2019. As stated in Note 2, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

April 22, 2020

**LINCOLN GOLD MINING Inc (formerly – Lincoln Mining Corporation)**  
**Consolidated Statements of Financial Position**

As at December 31, 2019 and December 31, 2018

(All amounts are in Canadian Dollars, unless otherwise stated)

	Notes	December 31, 2019 \$	December 31, 2018 \$
<b>Assets</b>			
Current assets			
Cash		56,244	70,102
Receivables	10	28,915	81,625
Prepaid expenses		29,476	28,560
		114,635	180,287
Non-current assets			
Equipment		-	2,709
Right-of-use asset	4	88,103	-
Deposits		14,068	14,160
Mineral properties	5	156,000	69,171
		258,171	86,040
<b>Total assets</b>		<b>372,806</b>	<b>266,327</b>
<b>Liabilities and shareholders' deficiency</b>			
Current liabilities			
Accounts payable and accrued liabilities	10	1,748,233	2,013,204
Exploration funding	5	-	33,010
Lease liability – short term	7	59,056	-
Loans payable	8	59,795	74,336
Promissory notes	9	1,064,987	825,529
		2,932,071	2,946,079
Non-current liabilities			
Lease liability – long term	7	36,049	-
Provision for environmental rehabilitation	6	84,422	88,673
		120,471	88,673
<b>Total liabilities</b>		<b>3,052,542</b>	<b>3,034,752</b>
<b>Shareholders' deficiency</b>			
Share capital	11	24,163,791	23,399,098
Capital reserves	11	2,908,994	2,877,687
Deficit		(29,752,521)	(29,045,210)
<b>Total shareholders' deficiency</b>		<b>(2,679,736)</b>	<b>(2,768,425)</b>
<b>Total liabilities and shareholders' deficiency</b>		<b>372,806</b>	<b>266,327</b>

Nature of operations (Note 1)

Subsequent events (Note 16)

Approved and authorized by the Board on April 22, 2020.

<u>“Paul Saxton”</u> Paul Saxton	Director	<u>“Andrew Milligan”</u> Andrew Milligan	Director
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The accompanying notes are an integral part of these consolidated financial statements

**LINCOLN GOLD MINING INC (formerly – Lincoln Mining Corporation)**  
**Consolidated Statements of Loss and Comprehensive Loss**

*For the years ended December 31, 2019 and 2018*

*(All amounts are in Canadian Dollars, unless otherwise stated)*

	<b>Note s</b>	<b>2019</b>	<b>2018</b>
<b>Exploration expenses</b>	5, 10	<b>366,421</b>	<b>1,147,512</b>
<b>Administrative expenses</b>			
Consulting and management fees	10	133,320	138,680
Depreciation	4	53,053	3,350
Foreign exchange loss (gain)		(70,667)	121,096
Investor relations and shareholder services		80,317	145,065
Office maintenance		72,449	47,301
Professional fees	10	164,209	201,233
Travel		24,713	46,893
		<b>457,394</b>	<b>703,618</b>
<b>Finance expenses (income)</b>			
Interest income		(80)	(44)
Interest expense		57,702	17,672
Write-off of accounts payable		-	-
		<b>57,622</b>	<b>17,628</b>
<b>Other expenses (income)</b>			
Gain on settlement of debts	11	-	(530,471)
Receivables allowance	10	96,598	
Write off accounts payable		(18,570)	-
Recoveries	5	(252,154)	-
		<b>(172,126)</b>	<b>(530,471)</b>
<b>Loss and comprehensive loss for the year</b>		<b>(707,311)</b>	<b>(1,338,287)</b>
<b>Basic and diluted earnings (loss) per common share</b>		<b>\$ (0.08)</b>	<b>\$ (0.19)</b>
<b>Weighted average number of common shares outstanding</b>		<b>9,007,962</b>	<b>7,112,025</b>

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

**LINCOLN GOLD MINING INC (formerly – Lincoln Mining Corporation)**  
**Consolidated Statements of Cash Flows**

For the years ended December 31, 2019 and 2018

(All amounts are in Canadian Dollars, unless otherwise stated)

	2019	2018
	\$	\$
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>		
<b>Loss for the year</b>	<b>(707,311)</b>	<b>(1,338,287)</b>
Items not affecting cash:		
Accrued interest expense	57,702	17,672
Depreciation	53,054	3,350
Unrealized foreign exchange	(21,772)	23,290
Exploration fund liability	(252,154)	-
Gain on settlement of debts	-	(530,471)
Receivables allowance	96,598	
Write-off of accounts payable	(18,570)	-
Changes in non-cash working capital items:		
Decrease in accounts payable and accrued liabilities	(246,401)	598,801
Decrease in prepaid expenses and deposits	(824)	87,178
Decrease (Increase) in receivables	(43,888)	(45,863)
<b>Net cash used in operating activities</b>	<b>(1,083,566)</b>	<b>(1,184,330)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of mineral properties	(63,089)	(64,493)
Recoveries of mineral properties	132,260	61,426
Exploration funding	219,144	33,010
<b>Net cash provided by investing activities</b>	<b>288,315</b>	<b>(29,943)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Shares issued for cash, net	640,000	995,500
Promissory notes issued for cash	213,595	222,244
Loans paid	(17,005)	(15,154)
Payment for lease liability	(55,197)	-
<b>Net cash provided by financing activities</b>	<b>781,393</b>	<b>1,202,590</b>
<b>Net change in cash for the period</b>	<b>(13,858)</b>	<b>48,203</b>
<b>Cash, beginning of the period</b>	<b>70,102</b>	<b>21,899</b>
<b>Cash, end of the period</b>	<b>56,244</b>	<b>70,102</b>

Supplemental cash flow information (Note 13)

**LINCOLN GOLD MINING INC (Formerly – Lincoln Mining Corporation)**  
**Consolidated Statements of Changes in Shareholders' Deficiency**

*For the year ended December 31, 2019 and 2018*

*(All amounts are in Canadian Dollars, unless otherwise stated)*

	Number of shares	Share capital \$	Capital reserves \$	Share subscriptions received in advance \$	Deficit \$	Total \$
<b>Balance at December 31, 2017</b>	<b>4,092,552</b>	<b>22,118,931</b>	<b>2,588,249</b>	<b>38,095</b>	<b>(27,706,923)</b>	<b>(2,961,648)</b>
Private placements	2,084,191	759,477	182,618	(38,095)	-	1,004,000
Debt settlement agreements	1,342,976	529,190	6,820	-	-	536,010
Share issue costs	-	(8,500)	-	-	-	(8,500)
Loss for the year	-	-	-	-	(1,338,287)	(1,338,287)
<b>Balance at December 31, 2018</b>	<b>7,519,719</b>	<b>23,399,098</b>	<b>2,877,687</b>	<b>-</b>	<b>(29,045,210)</b>	<b>(2,768,425)</b>
Special warrants exercised	544,877	32,693	(32,693)	-	-	-
Private placement	6,400,000	576,000	64,000	-	-	640,000
Shares issued for mineral interests	1,200,000	156,000	-	-	-	156,000
Loss for the year	-	-	-	-	(707,311)	(612,758)
<b>Balance at December 31, 2019</b>	<b>15,664,596</b>	<b>24,163,791</b>	<b>2,908,994</b>	<b>-</b>	<b>(29,752,521)</b>	<b>(2,679,736)</b>

On September 24, 2019, the Company consolidated its common shares on the basis of ten pre-consolidated common shares for one post-consolidated common share. The number of common shares outstanding has been retroactively adjusted in these financial statements to reflect the share consolidation. Simultaneously with the share consolidation, the Company also completed a name change to Lincoln Gold Mining Inc. from Lincoln Mining Corporation.

# **LINCOLN GOLD MINING INC. (Formerly – Lincoln Mining Corporation)**

## **Notes to the Consolidated Financial Statements**

For the years ended December 31, 2019  
*(All amounts are in Canadian Dollars, unless otherwise stated)*

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### **1 Nature of operations**

Lincoln Gold Mining Inc. (formerly – Lincoln Mining Corporation) (the “Company” or “Lincoln”) is incorporated under the Business Corporations Act, British Columbia. The Company’s head and registered office, principal address and records is Suite 400 – 789 West Pender Street, Vancouver, British Columbia, Canada, V6C 1H2. The Company is a precious metals exploration and development company.

The consolidated financial statements of the Company for the years ended December 31, 2019 comprise the Company and its subsidiaries (Note 2(b)). These consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest dollar except where otherwise indicated. The Company is listed on the TSX Venture Exchange (“TSX-V: LMG”) and the Frankfurt Stock Exchange (“ZMG”).

### **2 Basis of Presentation**

#### **(a) Basis of preparation**

The consolidated financial statements for the year ended December 31, 2019 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 22, 2020.

#### **Going concern assumption**

These consolidated financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company has not yet determined whether its mineral properties contain ore reserves and the Company has incurred ongoing losses since inception. Further, the Company has a working capital deficiency of \$2,817,436 (2018 - \$2,765,792) and total liabilities of \$3,052,542 (2018 - \$3,034,752). The future success of the Company is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their exploration and development, and upon establishing future profitable production, or realization of proceeds on disposal.

Management recognizes that the Company will need to raise additional funds to maintain operations and while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern. These consolidated financial statements do not give effect to the adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

# LINCOLN GOLD MINING INC. (Formerly – Lincoln Mining Corporation)

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2019  
(All amounts are in Canadian Dollars, unless otherwise stated)

### 2 Basis of Presentation (Cont'd)

#### ***New and amended standards adopted by the Company***

##### IFRS 16 – Leases

The Company adopted IFRS 16 effective on January 1, 2019 using the modified retrospective approach. In accordance with the transition provisions in IFRS 16, the new rules have been adopted retrospectively with the cumulative effect of initially applying the new standard recognized on January 1, 2019. The comparatives for the 2018 reporting period have not been restated and are accounted for under IAS 17 - Leases, and IFRIC 4 - Determining Whether an Arrangement Contains a Lease, as permitted under the specific transitional provisions in the standard. The transitional adjustments arising from the adoption are recognized in the opening deficit on January 1, 2019. Upon adoption of IFRS 16, the Company recognized lease liabilities in relation to a lease for office space which had previously been classified as “operating lease” under the principles of IAS 17 – Leases under which these lease payments were recorded as expenses as they were incurred. Under IFRS 16, these liabilities were measured at the present value of the remaining lease payments as at January 1, 2019, discounted using the Company’s incremental borrowing rate. The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 10%. An associated right-of-use asset for the lease was measured at the amount equal to the lease liability on January 1, 2019.

As at January 1, 2019, the Company recognized \$138,448 in right-of-use assets and lease liabilities as summarized below:

	\$
Minimum lease payments under operating leases as of December 31, 2018	159,312
Effect from discounting at the incremental borrowing rate as of January 1, 2019	(20,864)
Lease liabilities recognized as of January 1, 2019	138,448
Right-of-use assets recognized as of January 1, 2019	138,448

As a result of the adoption of IFRS 16, the Company has amended its accounting policy for leases, from that disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2018.

At inception of a contract, the Company assesses whether a 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. The Company assesses whether the contract involves the use of an identified asset, whether the Company has the right to obtain substantially all of economic benefits from use of the asset during the term of the arrangement and if the Company has the right to direct the use of the asset.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially 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 commissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in our estimated or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit on a straight-line basis over the lease term.

## LINCOLN GOLD MINING INC. (Formerly – Lincoln Mining Corporation) Notes to the Consolidated Financial Statements

For the years ended December 31, 2019  
(All amounts are in Canadian Dollars, unless otherwise stated)

### 2 Basis of Presentation (Cont'd)

#### (b) Consolidation

##### Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions are eliminated. Profits or losses resulting from intercompany transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries are consistent with the policies adopted by the Company.

The consolidated financial statements include the financial statements of Lincoln Gold Mining Inc. (Formerly - Lincoln Mining Corporation), the parent company and the subsidiaries listed below:

	Country of Incorporation	Economic interests	Principal activity
Lincoln Gold Mining Inc. (formerly – Lincoln Mining Corporation)	Canada	100%	Holding company
Lincoln Gold US Corporation	United States of America	100%	Mineral exploration
Lincoln Resource Group Corporation	United States of America	100%	Mineral exploration
Minera Lincoln de Mexico, S.A. de C.V.	Mexico	100%	Mineral exploration

#### (c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The activities undertaken by exploration and evaluation segment are supported by corporate activities. The operating results of the segments are reviewed regularly by the Company's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance and by the Board of Directors that makes strategic decisions.

#### (d) Foreign currency translation

##### Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in the Canadian dollar, which is the Company's, and its subsidiaries' functional currency.

##### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss.

#### (e) Mineral properties

The Company accounts for its mineral properties as exploration and evaluation assets in accordance with IFRS 6. The Company capitalizes mineral property interest acquisition costs, which include the cash consideration, option payment under an earn-in arrangement and, the fair value of common shares issued for mineral property interests. The acquisition costs are capitalized until the property is placed into development (when commercial viability and technical

## **LINCOLN GOLD MINING INC. (Formerly – Lincoln Mining Corporation)**

### **Notes to the Consolidated Financial Statements**

For the years ended December 31, 2019  
(All amounts are in Canadian Dollars, unless otherwise stated)

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## **2 Basis of Presentation (Cont'd)**

### **(e) Mineral properties (Cont'd)**

feasibility are established), sold or abandoned or determined to be impaired. Before moving acquisition costs into property, plant and equipment upon commencement of development stage, the property is first tested for impairment. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

### **Exploration and evaluation expenditures**

The Company expenses to operations all exploration and evaluation costs incurred prior to the determination of economically recoverable reserves. Exploration and evaluation expenditure relates costs incurred for investigation and evaluation of potential mineral reserves and resources, including trenching, exploratory drilling, sampling, mapping and other activities in searching for ore bodies under the properties, and evaluate the technical and commercial viability of developing mineral properties identified through exploration. Exploration and evaluation expenditures, net of any recoveries, are recorded on a property-by-property basis.

### **(f) Equipment**

Equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price and any costs directly attributable to bringing the asset into operation.

Depreciation is provided on a straight line basis over the estimated useful lives as follows:

- mining equipment: 3 years
- vehicles: 4 years
- office and computer equipment: 2-5 years
- right-of-use-asset: Lease term

Depreciation expense is allocated based on estimated asset lives. Should the asset life or depreciation rates differ from the initial estimate, an adjustment would be made in the consolidated statements of loss and comprehensive loss.

### **(g) Impairment of long-lived assets**

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### **(h) Financial instruments**

#### Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortized cost.

# LINCOLN GOLD MINING INC. (Formerly – Lincoln Mining Corporation)

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2019  
(All amounts are in Canadian Dollars, unless otherwise stated)

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### 2 Basis of Presentation (Cont'd)

#### (h) Financial instruments (Cont'd)

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

#### Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

#### Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transactions costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### *Debt instruments*

Subsequent measurement of debt instrument depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVTPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

#### *Equity instruments*

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of

## **LINCOLN GOLD MINING INC. (Formerly – Lincoln Mining Corporation)**

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## **2 Basis of Presentation (Cont'd)**

### **(h) Financial instruments (Cont'd)**

fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

#### *Impairment*

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

#### *Trade Payables*

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using effective interest method.

#### *Borrowings*

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

#### *Compound financial instruments*

Compound financial instruments issued by the Company comprise of a convertible debenture that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value. The liability component of a compound financial instrument is recognized initially at the fair value of the similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

### **(i) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds. Proceeds from unit placements are allocated between shares and warrants using the residual value method whereby the shares are recorded at fair value and any residual is allocated to the warrant. The value of the warrants issued to brokers is determined using the Black-Scholes model.

### **(j) Earnings (loss) per share**

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of

## LINCOLN GOLD MINING INC. (Formerly – Lincoln Mining Corporation) Notes to the Consolidated Financial Statements

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### 2 Basis of Presentation (Cont'd)

#### (k) Share-based compensation

additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. For the year ended December 31, 2018, there were no “in-the-money” dilutive instruments that impacted the calculation of dilutive earnings per share.

The Company operates a share-based compensation plan, under which the Company receives services from directors, officers, employees and consultants as consideration for equity instruments (options) of the Company.

The fair value of stock options granted to directors, officers and employees is measured on the grant date, using the Black-Scholes option pricing model. Equity-settled awards are not re-measured subsequent to the initial grant date. The Company uses accelerated method (also referred to as ‘graded’ vesting) for attributing stock option expense over the vesting period. Stock option expense incorporates an expected forfeiture rate. The expected forfeiture rate is estimated based on historical forfeiture rates and expectations of future forfeiture rates. The adjustment is made if the actual forfeiture rate differs from the expected rate, when the equity instrument vests.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital. The fair value of exercised options is reclassified from capital reserve - options to share capital.

#### (l) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill and deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### (m) Provision

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

## **LINCOLN GOLD MINING INC. (Formerly – Lincoln Mining Corporation)**

### **Notes to the Consolidated Financial Statements**

For the years ended December 31, 2019

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## **2 Basis of Presentation (Cont'd)**

### **(n) Related party transactions**

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

### **(o) Comparative figures**

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

## **3 Critical accounting estimates and judgements**

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions concerning the future. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include:

### ***Income taxes***

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

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

### ***Company's title on mineral property interests***

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry practice for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

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**4 Right-of-use asset**

The following table summarizes the Company's right-of-use asset:

	\$
Balance at January 1, 2019 (Note 2)	138,448
Depreciation	(50,345)
<b>Balance at December 31, 2019</b>	<b>88,103</b>

**5 Mineral properties**

The Company's mineral property interests are comprised of the following properties:

	United States		Total
	Pine Grove	Oro Cruz	
	\$	\$	\$
Balance at December 31, 2017	-	-	-
Additions	-	130,597	130,597
Recoveries	-	(61,426)	(61,426)
Balance at December 31, 2018	-	69,171	69,171
Additions	156,000	63,089	219,089
Recoveries	-	(132,260)	(132,260)
<b>Balance at December 31, 2019</b>	<b>156,000</b>	<b>-</b>	<b>156,000</b>

Exploration expenditures (recoveries) incurred during the year ended December 31, 2019:

	United States		Other Properties	Total
	Pine Grove	Oro Cruz		
	\$	\$	\$	\$
Contractors	134,099	142,316	-	276,415
General administration	86,982	1,721	-	88,703
Geochemistry	-	945	-	945
Land maintenance	4,993	119,557	1,429	125,979
Permitting environment	3,783	-	-	3,783
Property evaluation	(9,952)	3,589	-	(6,363)
Travel and accommodation	217	7,142	-	7,359
Recovery from a joint venture partner	(33,438)	(96,962)	-	(130,400)
<b>Total mineral property expenditures</b>	<b>186,684</b>	<b>178,308</b>	<b>1,429</b>	<b>366,421</b>

**LINCOLN GOLD MINING INC. (Formerly – Lincoln Mining Corporation)**  
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**5 Mineral properties (Cont'd)**

Exploration expenditures (recoveries) incurred during the year ended December 31, 2018:

	United States		Other Properties	Total
	Pine Grove	Oro Cruz		
	\$	\$	\$	\$
Contractors	278,540	17,958	6,561	303,059
Drilling and metallurgical	5,070	-	-	5,070
Field supplies	480	-	-	480
General administration	86,741	-	-	86,741
Geochemistry	1,228	-	-	1,228
Land maintenance	1,018	100,459	-	101,477
Legal	1,918	-	-	1,908
Permitting environment	426,017	-	-	426,017
Property evaluation	240,683	-	-	240,683
Travel and accommodation	1,835	470	-	2,305
Recovery from a joint venture partner	(21,466)	-	-	(21,466)
<b>Total mineral property expenditures</b>	<b>1,022,064</b>	<b>118,887</b>	<b>6,561</b>	<b>1,147,512</b>

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties, and, to the best of its knowledge, title to all of its properties, are properly registered and in good standing.

**United States**

**(a) Pine Grove Property, Nevada**

During fiscal 2007 the Company entered into three separate agreements with Wheeler Mining Company (“Wheeler”), Lyon Grove, LLC (“Lyon Grove”) and Harold Votipka (“Votipka”) which collectively comprise the Pine Grove Property. In fiscal 2010, the Company added the Cavanaugh property.

- (i) In July 2007 the Company entered into an agreement with Wheeler to lease Wheeler’s 100% owned mining claims in Lyon County, Nevada from July 13, 2007 to December 31, 2022 with an exclusive option to renew the lease by written notice to December 31, 2023. If the property is and remains in commercial production by November 1 of each year after 2022, the Company may renew the lease for a period of one year by delivering written notice to the owner prior to November 15 of that year.

The Company was required to produce a bankable feasibility study on the properties by December 31, 2010 and obtain all necessary funding to place the properties into commercial production. The Company has since received an extension as new technical data is being developed. The Company must pay an NSR of 3% - 7% upon commencement of commercial mining production based on gold prices and the Company must pay a 5% NSR on metals or minerals other than gold produced and sold from the properties.

The following non-refundable advance NSR payments must be made by the Company:

- US\$10,000 upon signing the agreement (paid); and
- US\$30,000 prior to each one year anniversary of the lease (Years 1-6 paid by the Company; Years 7-12 paid by Goldcliff Resource Corporation (“Goldcliff”) a company with a common director).

- (ii) In July 2007 the Company entered into an agreement with Votipka to acquire three claims located within the Pine Grove Mining District in Lyon County, Nevada in return for a payment of US\$12,000 (paid in 2007). Upon commencement of commercial production, the Company will pay a 5% NSR to Votipka. The Company retains the right to buy down up to 2.5% of the NSR at any time for US\$100,000 per percentage point.

In August 2007 the Company entered into an agreement with Lyon Grove to lease the Wilson Mining Claim Group located in Lyon County, Nevada from August 1, 2007 to July 31, 2022, with an option to purchase. The Company

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### 5 Mineral properties (Cont'd)

#### (a) Pine Grove Property, Nevada (Cont'd)

can extend the term of the lease for up to ten additional one year terms providing the Company is conducting exploration mining activities at the expiration of the term immediately preceding the proposed extension term.

The following lease payments must be made by the Company:

- US\$10,000 upon signing the agreement (paid) and
- US\$25,000 prior to each one year anniversary of the lease (paid to date).

The lease payment made for any one calendar year may be credited against any NSR due and payable during the same calendar year.

The following work commitments must be made by the Company:

- US\$25,000 by August 1, 2008; (incurred)
- US\$25,000 by August 1, 2009; (incurred)
- US\$50,000 by August 1, 2010; (incurred)
- US\$50,000 by August 1, 2011; (incurred)
- US\$50,000 by August 1, 2012; (incurred) and each subsequent lease year (incurred to date)

Upon commencement of production the Company must pay an NSR of 2.5% - 5% on various claims and areas of interest. Lyon Grove retains the right to require the Company to purchase the property any time after the Company has made application to permit and develop a mine on the property, subject to the Company's continued obligation to pay the royalties, for US\$1,000.

In June 2016, Goldcliff, a company with a common director, acquired the lease to the Wilson claims from the Company in exchange for Goldcliff assuming the future lease commitments as well as outstanding lease payments and work commitments.

- (iii) In August 2010, the Company and its wholly owned subsidiary Lincoln Gold US Corp ("Lincoln US") entered into a purchase agreement for Lincoln US to acquire unpatented mining claims and associated water rights (collectively known as the "Cavanaugh property") situated at the Company's Pine Grove project in Lyon County, Nevada. In consideration for the sale of the Cavanaugh property, the vendors have received a total of US\$650,000 and 4,000 common shares of the Company as follows:

- On closing US\$250,000 and 1,500 shares (paid)
- August 23, 2011 US\$150,000 and 1,500 shares (paid)
- August 23, 2012 US\$150,000 and 1,000 shares (paid)
- August 23, 2013 US\$100,000 (paid)

The vendors will also retain a 1.5% NSR subject to the Company's option to buy down the royalty at a rate of US\$75,000 per one-half percent at any time up until 3 years after the Company's Board of Directors approves mine construction.

During the year ended December 31, 2016, the Company entered into an Exploration License Agreement (the "Agreement") with Placer Solutions LLC ("Placer"), a private company based in Montana, USA, to explore the placer claims on Lincoln's Pine Grover project in Nevada (the "Claim"). The Agreement applies to the Company's Pine Grove placer claims only as it is the Company's intent to develop its lode claims separately.

Under the terms of the Agreement, for a period of 18 months, the Company has granted Placer: i) the exclusive right to explore the Claims for a one-time payment of US\$10,000 (received), ii) an exclusive option to enter into a five (5) year mining lease on the Claims for an annual rental fee of US\$10,000 (received) for the first year and US\$6,000 thereafter and a net operating profit royalty of 20% (the "Lease Option").

## LINCOLN GOLD MINING INC. (Formerly – Lincoln Mining Corporation)

### Notes to the Consolidated Financial Statements

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#### 5 Mineral properties (Cont'd)

##### (a) Pine Grove Property, Nevada (Cont'd)

Should Placer exercise the Lease Option, Placer has an exclusive right to purchase the Claims (and certain ancillary water rights) plus buyout the royalty for a total consideration of US\$1,500,000 for a period of three years from the anniversary of the lease. The Agreement may be terminated at Placer's discretion upon 60 days' written notice to the Company.

- (iv) In August 2016, the Company entered into an agreement with Goldcliff whereby Goldcliff can earn a 40% interest in the Wheeler and Votipka leases and Cavanaugh property in exchange for incurring US\$1,400,000 in exploration expenditure on the properties over three years, and conveying back to the Company a 60% interest in the Wilson lease that previously was acquired by Goldcliff. The Company is the operator for the earn-in.

During the year ended December 31, 2017, the Company was informed by the Nevada State Division of Water Resources that it was forfeiting certain water rights at Pine Grove for non-use. This was at the time when the Company was in the process of applying for a point of diversion change.

The Company filed a petition for judicial review of the decision of the Division of Water Resources seeking reinstatement of the water rights and the right to apply for an extension of time to place the water to beneficial use. The District Court entered its written decision in August 2017 granting the Company's petition. Lincoln has applied for an extension of time to place the water to beneficial use and will apply to change the point of diversion of the water to the Company's proposed mine site.

- (v) On October 8, 2019, the Company and Goldcliff Canada entered into a Purchase Option Letter agreement to re-acquire from Goldcliff Canada and its affiliates their interest in the Pine Grove Gold project for the consideration of USD \$200,000 cash and 2,750,000 common shares of the Company as follows:

Cash, USD \$200,000 to be paid as follows:

- Cash of US\$50,000 to be paid upon completion of the next financing of the Company (not paid);
- Cash of US \$50,000 to be paid on or before March 31, 2020 (not paid);
- Cash of US \$50,000 to be paid on or before June 30, 2020;
- Cash of US \$50,000 to be paid on or before December 31, 2020.

Shares, 2,750,000 shares to be issued as follows:

- Shares, 1,200,000 shares issued following the closing of the first financing – (Issued with a fair value of \$156,000);
- Shares, 800,000 shares to be issued on December 31, 2019 (Issued subsequently (Note 16));
- Shares, 750,000 shares to be issued on March 31, 2020.

There is a "cutback" provision, provided that the Company shall not be required to issue shares to Goldcliff to the extent that such issuance would result in Goldcliff holding 10% or more of the outstanding shares of the Company, to the extent that the cutback reduces the number of shares above, the Company shall issue the shares that were subject to the cutback as soon as practicable after Goldcliff advises the Company that the issuance of such shares will not result in Goldcliff holding 10% or more of the outstanding shares of the Company.

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### 5 Mineral properties (Cont'd)

#### (b) Oro Cruz Property, California

In February 2010, the Company's 100% owned U.S. subsidiary, Lincoln US, concluded a lease agreement (the "Lease") to lease certain lode claims covering the Oro Cruz Property in Imperial County, California. The Lease involves advance royalty payments beginning at US\$50,000 per year and gradually increasing to US\$200,000 per year on the seventh anniversary and each subsequent anniversary of the effective date of February 22, 2010 as follows:

- US\$50,000 on the execution date of the agreement (paid)
- US\$50,000 by February 22, 2011 (paid)
- US\$75,000 by February 22, 2012 (paid)
- US\$75,000 by February 22, 2013 (paid)
- US\$100,000 by February 22, 2014 (\$50,000 paid)
- US\$100,000 by February 22, 2015 (not paid)
- US\$150,000 by February 22, 2016 (not paid)
- US\$200,000 by February 22, 2017 (not paid)
- US\$200,000 by February 22, 2018 (not paid) and each subsequent anniversary of the effective date

The NSR has been set at 3% for the first 500,000 ounces of gold production and 4% thereafter. An aggregate of 2% of the royalty can be bought down at a rate of US\$500,000 per half percent.

Pursuant to this agreement, Lincoln must also incur expenditures in the amounts and during the periods described as follows:

- US\$250,000 cumulative amount expended by the end of the second lease year (incurred)
- US\$300,000 during the third lease year (incurred)
- US\$350,000 during the fourth lease year (not incurred)
- US\$400,000 during the fifth lease year (not incurred)
- US\$450,000 during the sixth lease year (not incurred)
- US\$500,000 during the seventh lease year (not incurred)

On May 9, 2017, the Company entered into a letter agreement, through its subsidiary, Lincoln Gold US Corp. ("Lincoln US"), granting Ausgold Resources Pty. Ltd. ("Ausgold") an option until June 30, 2017 to enter into a joint venture agreement for the development of the Oro Cruz Property located in Imperial County, California ("JV Option"). As consideration for granting the JV Option, Ausgold has paid Lincoln US USD\$7,500 and committed to purchasing USD\$30,000 worth of securities in the Company's next private placement.

If the JV Option is exercised, the joint venture will cover the Hercules claims and the 131 claims held by Lincoln US as well as any mining interests or mineral properties acquired by either party within five miles of the Lincoln US claims.

On March 26, 2018, the Company terminated the option it granted to Ausgold on May 9, 2017 on the Oro Cruz property as a consequence of Ausgold not satisfying its obligations under the option agreement. Lincoln retains the property in good standing and proceeded to reacquire an option on the Hercules claims.

## LINCOLN GOLD MINING INC. (Formerly – Lincoln Mining Corporation) Notes to the Consolidated Financial Statements

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### 5 Mineral properties (Cont'd)

#### (b) Oro Cruz Property, California (Cont'd)

On May 1, 2018, the Company entered into a Purchase Option Letter agreement to re-acquire a 100% interest in the Hercules claims from ADGIS, Inc. ("ADGIS") (this agreement replaces the original agreement from February 2010). The Company must make scheduled payments to ADGIS totaling US\$500,000 over five years and royalty payments as follows:

- US\$25,000 by May 15, 2018 (paid)
- US\$25,000 by August 1, 2018 (paid)
- US\$25,000 by October 1, 2018 (paid)
- US\$25,000 by December 1, 2018 (paid)
- US\$50,000 by May 15, 2019 (paid)
- US\$50,000 by May 15, 2020
- US\$100,000 by May 15, 2021
- US\$100,000 by May 15, 2022
- US\$100,000 by May 15, 2023
- 2% net smelter return royalty from production within the Hercules claim boundaries ("Hercules Royalty")
- 1% net smelter return royalty from production generated by the Company outside the Hercules claim boundaries and within a 1-mile radius of the Hercules claims ("Buffer Royalty")

0.5% of the Hercules Royalty and the Buffer Royalty together can be repurchased by the Company for US\$500,000, which would reduce the Hercules Royalty to 1.5% and the Buffer Royalty to 0.5%.

An additional 0.5% of the Hercules Royalty can be repurchased by the Company for US\$500,000 to reduce the Hercules royalty to 1%.

On February 28, 2019, the Company granted to Demerara Gold Corp. "Demerara" and Bell Mountain Exploration Corp. "Bell Mountain" the right to enter into a formal Option and Joint Venture Agreement for the exploration of the Oro Cruz property. To earn a 75% interest, Demerara and Bell Mountain will have to spend approximately USD\$2.1 million in property payments, exploration and development over the next five years. As of September 30, 2019, Demerara and Bell Mountain have advanced \$252,154 (December 31, 2018 - \$33,010) to the Company. With the signing of the formal agreement below, these advances are no longer payable, will be acknowledged as applied towards exploration expenditures and have been recorded as a recovery.

On October 1, 2019, the Company entered into a formal Option and Joint Venture Agreement with Demerara Gold Corp. "Demerara" and Bell Mountain Exploration Corp. "Bell Mountain" collectively the "Optionee", granting the optionee an option to purchase up to an undivided 75% interest in the Oro Cruz Property.

#### i) **First Option** – 51% interest in the Oro Cruz Property

The Company grants the Optionee the right to acquire a 51% interest in the Oro Cruz Property by paying US\$110,000 cash, funding the payments made to maintain the ADGIS Agreement in good standing, and incurring US\$1,000,000 in exploration expenditures as follows:

Cash of US\$110,000 as follows:

- Cash of US\$10,000 paid to the Company – paid March 6, 2019;
- Cash of US\$25,000 to be paid to the Company on or before February 15, 2020 (received);
- Cash of US\$25,000 to be paid to the Company on or before February 15, 2021;
- Cash of US\$25,000 to be paid to the Company on or before February 15, 2022;
- Cash of US\$25,000 to be paid to the Company on or before February 15, 2023.

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### 5 Mineral properties (Cont'd)

#### (b) Oro Cruz Property, California (Cont'd)

Cash payments to ADGIS

- Cash of US\$50,000 paid to ADGIS – paid May 15, 2019;
- Cash of US\$50,000 to be paid to ADGIS on or before April 15, 2020 (paid);
- Cash of US\$100,000 to be paid to ADGIS on or before April 15, 2021;
- Cash of US\$100,000 to be paid to ADGIS on or before April 15, 2022;
- Cash of US\$100,000 to be paid to ADGIS on or before April 15, 2023.

Exploration expenditures of US\$1,000,000 as follows:

- Exploration of US\$200,000 acknowledged as incurred to October 1, 2019 (incurred);
- Exploration of US\$400,000 cumulative to be incurred before October 1, 2020;
- Exploration of US\$700,000 cumulative to be incurred before October 1, 2021;
- Exploration of US\$1,000,000 cumulative to be incurred before October 1, 2022.

ii) **Second Option** – 75% interest in the Oro Cruz Property (It is 51% plus an additional 24%)

The Company grants the Optionee the right to acquire an additional 24% interest in the Oro Cruz Property by making cash payments, or incurring exploration expenditures in any combination thereof to a total of US\$600,000 on or before October 1, 2023.

### 6 Provisions

The Company's recognized a constructive provision for environmental rehabilitation relating to a Pine Grove Property road, which will require future cleanup costs estimated to be approximately US\$70,000. Management expects that the cleanup costs would be incurred in the future, at the end of the expected useful life of the property, however, as the technical feasibility of Pine Grove Property has not been completed yet, the life of the property is uncertain at the reporting date. The provision represents best management estimates and includes the following assumptions: term – 10 years; inflation rate – 0.7%, pre-tax risk-free interest rate – 2.8%.

The closing balance is summarized as follows:

	December 31, 2019	December 31, 2018
Beginning balance	\$ 88,673	\$ 81,543
Changes in exchange rates	(4,251)	7,130
<b>Closing balance</b>	<b>84,422</b>	<b>88,673</b>

During the year ended December 31, 2019, the finance costs in relation to the accretion of the provision are negligible.

**LINCOLN GOLD MINING INC. (Formerly – Lincoln Mining Corporation)**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2019  
*(All amounts are in Canadian Dollars, unless otherwise stated)*

**7 Lease liability**

	<b>Total</b>
	<b>\$</b>
Balance at January 1, 2019 (Note 2)	138,448
Interest expense	11,854
Lease payments	(55,197)
Balance at December 31, 2019	95,105
Current portion of lease liability	(59,056)
<b>Long-term portion of lease liability</b>	<b>36,049</b>

The Company's future lease commitment as at December 31, 2019 is as follows:

	\$
2020	59,056
2021	45,058
	<u>104,114</u>

**8 Loans payable**

The following loans were provided by the President of the Company to support its working capital requirements.

	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>
	<b>\$</b>	<b>\$</b>
Opening balance	74,336	86,305
Loans repaid during the year	(17,005)	(15,154)
Interest accrued during the year	2,464	3,185
<b>Closing balance</b>	<b>59,795</b>	<b>74,336</b>

During the year ended December 31, 2019, the Company received \$Nil (December 31, 2018 - \$Nil), and repaid \$17,005 (December 31, 2018 - \$15,154), unsecured demand loan from the President of the Company. The remaining balance of the loan is unsecured, bearing interest at 5% per annum, calculated and payable on demand. The Company may repay the principal, in whole or in part, at any time without penalty. As at December 31, 2019, the loan payable balance to the President of the Company is \$59,795 (December 31, 2018 - \$74,336).

**LINCOLN GOLD MINING INC. (Formerly – Lincoln Mining Corporation)**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2019  
*(All amounts are in Canadian Dollars, unless otherwise stated)*

**9 Promissory notes**

	Year ended December 31, 2019	Year ended December 31, 2018
	\$	\$
Opening balance	825,529	604,810
Promissory notes provided during the period	213,595	222,244
Interest accrued during the period	46,013	14,487
Settlement of promissory notes	-	(32,172)
Foreign exchange	(20,150)	16,160
<b>Closing balance</b>	<b>1,064,987</b>	<b>825,529</b>

As of December 31, 2019, the Company has received advances of \$440,000 (December 31, 2018 - \$440,000) from Mr. Ronald K. Netolitzky, a previous control person of the Company, and two other companies controlled by Mr. Ronald K. Netolitzky. The advances are unsecured, non-interest bearing and due on demand.

During the year ended December 31, 2015, the Company received \$50,000 from an insider of the Company. The loan is unsecured and evidenced by promissory notes bearing interest at 6% per annum, calculated and payable on demand. The Company may prepay the principal, in whole or in part, at any time without penalty.

During the year ended December 31, 2015, the Company received US\$66,000 from a company that has an insider in common with Lincoln. During the year ended December 31, 2017, the existing promissory note was terminated and both parties subsequently entered into a new promissory note agreement consisting of the existing principal and interest in the aggregate amount of US\$71,000. The loan is secured by the Company's US properties and evidenced by a promissory note bearing interest at 9% per annum. Principal and accrued interest was payable upon termination of the note on September 15, 2017. On January 3, 2018, the Company issued 64,344 common shares for settlement of debt in the amount of \$32,172.

During the year ended December 31, 2016, the Company received \$6,527 from a company with certain directors in common. The loan is unsecured, non-interest bearing and due on demand.

On August 24, 2018, September 11, 2018, October 23, 2018, January 23, 2019, March 29, 2019, and May 30, 2019, the Company received \$65,180 (US\$50,000), \$65,070 (US\$50,000), \$91,994 (US\$70,000), \$93,436 (US\$70,000), \$66,815 (US\$50,000) and \$53,344 (US\$40,000) from Dragon Hill Creation Limited, respectively, a company controlled by a director of the Company. The loans are unsecured and evidenced by promissory notes bearing interest at 10% per annum, calculated and payable on the termination date of the promissory notes being June 30, 2019. The Company may prepay the principal, in whole or in part, at any time without penalty.

**LINCOLN GOLD MINING INC. (Formerly – Lincoln Mining Corporation)**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2019  
 (All amounts are in Canadian Dollars, unless otherwise stated)

**10 Related party transactions**

The following transactions were carried out with related parties:

**Key management personnel – services rendered and other compensation**

Key management includes offices and directors – executive and non-executive. The compensation paid or payable to key management personnel for the services rendered during the year ended December 31, 2019 and 2018 were as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
	\$	\$
Management fees	108,000	118,000
Exploration expenses	155,202	160,669
Accounting fees	60,000	60,000
<b>Total</b>	<b>323,202</b>	<b>338,669</b>

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period. The Company also reimburses key executive directors for travel and other expenses incurred in the normal course of business.

**Balance due to related parties**

	As at December 31, 2019	As at December 31, 2018
	\$	\$
Executive officers and their controlled companies	499,195	837,315
Directors	15,000	15,000
<b>Total</b>	<b>514,195</b>	<b>852,315</b>

The balances due to related parties are included in accounts payable and accrued liabilities.

**Balance due from related parties**

	As at December 31, 2019	As at December 31, 2018
	\$	\$
Companies with a director in common	2,625	69,357
Directors	1,799	69,357
<b>Total</b>	<b>4,424</b>	<b>69,357</b>

The balances due from related parties are included in receivables.

**Loans from related parties**

See Notes 8, 9 and 11 for further details.

**Other transactions with related parties**

During the year ended December 31, 2019, the Company received \$36,458 (2018 - \$42,636) from Golden Band Resources Inc., a company with certain officers and directors in common, for office rent.

Goldcliff is a private company controlled by the President of the Company – See Note 5, 11 and 16.

During the year ended December 31, 2019, the Company provided an allowance of \$96,598 against the same amount owing from a Company with a director in common.

## **LINCOLN GOLD MINING INC. (Formerly – Lincoln Mining Corporation)**

### **Notes to the Consolidated Financial Statements**

For the years ended December 31, 2019

*(All amounts are in Canadian Dollars, unless otherwise stated)*

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#### **Share capital and reserves**

##### **a) Authorized share capital**

As at December 31, 2019, the authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares, consisting only of common shares are fully paid. As at December 31, 2019 there were 15,664,596 fully paid common shares issued

On September 24, 2019, the Company consolidated its common shares on the basis of ten pre-consolidated common shares for one post-consolidated common share. The number of common shares outstanding and per share amounts have been retroactively adjusted in these financial statements to reflect the share consolidation. Simultaneously with the share consolidation, the Company also completed a name change to Lincoln Gold Mining Inc. from Lincoln Mining Corporation.

On November 18, 2019, the Company issued 1,200,000 shares at a value of \$156,000 to Goldcliff Canada, pursuant to the Pine Grove Property, Nevada mineral interest. See Note 5.

On October 30, 2019, the Company closed a non-brokered private placement. The Company issued a total of 6,400,000 units at a price of \$0.10 per unit for total gross proceeds of \$640,000. Each unit is comprised of one common share of the Company and one-half common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.14 per share until October 30, 2021. An amount of \$64,000 was allocated to reserves in connection with the residual value of warrants issued.

On July 10, 2019 the Company issued 544,877 fully-paid common shares pursuant to the exercise of 544,877 special warrants. On exercise, \$32,693 was allocated from capital reserves to share capital.

On January 3, 2018, the Company completed a debt settlement agreement with various creditors of the Company with respect to outstanding debt (including principal and interest) totaling \$1,046,481. Of this amount, 1,128,551 common shares were issued to settle indebtedness to certain related parties of \$959,269, 110,080 common shares were issued to settle indebtedness to creditors of \$55,040 and 64,344 common shares were issued to settle promissory notes payable of \$32,172 (Notes 8 and 9). The common shares issued resulted in a gain on settlement of debts of \$525,291.

On January 26, 2018, the Company closed a non-brokered private placement. The Company issued a total of 1,342,190 units at a price of \$0.50 per unit for total gross proceeds of \$671,095. The residual value of the warrants of \$134,218 was reallocated from share capital to reserves. Each unit is comprised of one tenth common share of the Company and one tenth non-transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.80 per share until April 26, 2022. The Company paid \$6,250 in cash commissions.

On February 20, 2018, the Company closed a non-brokered private placement. The Company issued a total of 142,000 units at a price of \$0.50 per unit for total gross proceeds of \$71,000. The residual value of the warrants of \$28,400 was reallocated from share capital to reserves. Each unit is comprised of one tenth common share of the Company and one tenth non-transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.80 per share until April 26, 2022.

On May 30, 2018, the Company closed a non-brokered private placement. The Company issued a total of 600,000 units at a price of \$0.50 per unit for total gross proceeds of \$300,000. The residual value of the warrants of \$120,000 was reallocated from share capital to reserves. Each unit is comprised of one tenth common share of the Company and one tenth non-transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.80 per share until April 26, 2022. The Company paid \$2,250 in share issuance costs.

On November 15, 2018, the Company completed a debt settlement agreement with a creditor of the Company with respect to outstanding debt totaling \$20,000 by issuing 40,000 common shares and 40,000 share purchase warrants.

**LINCOLN GOLD MINING INC. (Formerly – Lincoln Mining Corporation)**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2019  
*(All amounts are in Canadian Dollars, unless otherwise stated)*

**11 Share capital and reserves (Cont'd)**

Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.80 per share until April 26, 2022. The fair value of the share purchase warrants was \$6,820 calculated using the Black-Scholes Option Pricing Model using the following assumptions: expected life – 3.45 years; expected volatility – 188%; expected dividend yield – 0%; and risk-free rate – 2.29%. The common shares and share purchase warrants issued resulted in a gain on settlement of debts of \$5,180.

**b) Capital reserves**

	Capital reserve – options	Capital reserve – warrants	Capital reserve – convertible debenture	Total
	\$	\$	\$	\$
Balance as at December 31, 2017	1,227,184	1,145,679	215,386	2,588,249
Private placements	-	282,618	-	282,618
Debt settlement agreements	-	6,820	-	6,820
Balance as at December 31, 2018	1,227,184	1,435,117	215,386	2,877,687
Private placement	-	64,000	-	64,000
Exercise of special warrants	-	(32,693)	-	(32,693)
<b>Balance as at December 31, 2019</b>	<b>1,227,184</b>	<b>1,466,424</b>	<b>215,386</b>	<b>2,908,994</b>

**c) Stock options**

As at December 31, 2019, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

Number of Shares	Exercise Price	Expiry Date
-	-	-
<b>Nil</b>		

Stock option transactions for the year ended December 31, 2019 and year ended December 31, 2018 are summarized as follows:

	Year ended December 30, 2019		Year ended December 31, 2018	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
		\$		\$
Balance, beginning of year	180,900	1.50	180,900	1.50
Expired	(180,900)	1.50	-	-
Options exercisable, end of year	-	-	180,900	1.50

**LINCOLN GOLD MINING INC. (Formerly – Lincoln Mining Corporation)**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2019  
*(All amounts are in Canadian Dollars, unless otherwise stated)*

**11 Share capital and reserves (Cont'd)**

**d) Warrants**

As at December 31, 2019, the Company had share purchase warrants, enabling the holders to acquire further common shares as follows:

Number of Shares	Exercise Price	Expiry Date
3,200,000	\$0.14	October 30, 2021
3,328,590	\$0.80	April 26, 2022
<b>6,528,590</b>		

Warrants transactions for the year ended December 31, 2019 and year ended December 31, 2018 are summarized as follows:

	Year ended December 31, 2019		Year ended December 31, 2018	
	Number of Warrants	Weighted average exercise price	Number of Warrants	Weighted average exercise price
		\$		\$
Balance, beginning of year	3,660,290	0.82	1,689,350	0.90
Issued	3,200,000	0.14	2,124,190	0.80
Expired	(331,700)	1.00	(153,250)	1.00
Balance, end of year	6,528,590	0.48	3,660,290	0.82

**d) Special warrants**

As at December 31, 2019, the Company had special warrants, enabling the holders to acquire further non-assessable common shares as follows:

Number of Shares	Exercise Price	Expiry Date
1,055,123	\$Nil	June 9, 2027
<b>1,055,123</b>		

In June 2017, the Company completed a debt settlement agreement. As part of the debt settlement the Company issued 1,600,000 special warrants with a value of \$960,000. Each Special warrant may be exercised for one fully paid and non-assessable common share of the Company without payment of additional consideration for a period of 10 years from the date of issue. The Company is not obligated to issue any common shares from the exercise of the special warrants if immediately following the exercise of such special warrants, the creditors and their affiliates hold in aggregate more than 9% of the issued and outstanding common shares of the Company. In addition, the special warrants have no voting rights and no entitlement to dividends.

On July 10, 2019, 544,847 special warrants were exercised into 544,877 common shares leaving 1,055,123 special warrants outstanding at December 31, 2019.

**LINCOLN GOLD MINING INC. (Formerly – Lincoln Mining Corporation)**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2019  
 (All amounts are in Canadian Dollars, unless otherwise stated)

**12 Financial instruments**

**Capital risk management**

The Company defines its capital as shareholders' deficiency. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has interests are in the exploration stage. As such, the Company has historically relied on the equity markets to fund its activities. In addition, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will need to raise additional funds in the future until the production commences. The Company will continue to assess new properties and seek to acquire an interest in additional properties if management consider there is sufficient geologic or economic potential and the Company has adequate financial resources and support from investors. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes to the Company's approach to capital management during the current period.

**Categories of financial instruments**

	December 31, 2019	December 31, 2018
	\$	\$
<b>Financial assets *</b>		
<i>Loans and receivables</i>		
Cash	56,244	70,102
Other receivables	4,456	72,916
	60,700	143,018
<b>Financial liabilities</b>		
<b>Current</b>		
<i>Amortized at cost</i>		
Accounts payable and accrued liabilities	1,748,238	2,013,204
Exploration funding	-	33,010
Lease liability	95,105	-
Loans payable	59,795	74,336
Promissory notes	1,064,987	825,529
	2,968,125	2,946,079

\* Sales taxes recoverable do not represent financial instruments and are excluded from the analysis

The Company is exposed to varying degrees to a variety of financial instrument related risks:

**Fair value**

The carrying value of cash, other receivables, accounts payable and accrued liabilities, exploration funding, loans payable, and promissory notes approximated their fair value because of the relatively short-term nature of these instruments. The carrying value of lease liability approximated its fair value as it bears interest that approximates current market rates.

**Foreign exchange risk**

The Company's operations in the United States expose the Company to foreign exchange risk. The Company is subject to currency risk due to the fluctuations of exchange rates between the Canadian and US dollars. The Company does not believe it is exposed to significant foreign exchange risk. A 10% fluctuation in the foreign exchange rate between the Canadian and US dollar will result in a foreign exchange gain/loss of approximately \$153,000. The Company does not enter into derivative financial instruments to mitigate foreign exchange risk.

**Credit risk**

The Company is not exposed to material credit risk.

## LINCOLN GOLD MINING INC. (Formerly – Lincoln Mining Corporation) Notes to the Consolidated Financial Statements

For the years ended December 31, 2019  
(All amounts are in Canadian Dollars, unless otherwise stated)

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### 12 Financial instruments (Cont'd)

#### **Interest rate risk**

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not hold any financial liabilities with variable interest rates.

#### **Liquidity risk**

The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and through short-term borrowing. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

#### **Price risk**

The ability of the Company to explore its mineral properties and the future profitability of the Company are directly related to the market price of precious metals. The Company monitors precious metals prices to determine the appropriate course of action to be taken by the Company.

### 13 Supplemental cash flow information

	Year ended December 31, 2019	Year ended December 31, 2018
	\$	\$
Cash paid for interest	-	-
Cash paid for income taxes	-	-

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On November 18, 2019, the Company issued 1,200,000 shares at a value of \$156,000 to Goldcliff Canada, pursuant to the Pine Grove Property, Nevada mineral interest. (Note 11)

On January 3, 2018, the Company issued 1,302,976 common shares of the Company to settle outstanding debt totaling \$1,046,481 (Note 11).

On November 15, 2018, the Company issued 40,000 common shares and 40,000 share purchase warrants of the Company to settle outstanding debt totaling \$20,000 (Note 11).

As at December 31, 2019, accounts payable and accrued liabilities includes \$Nil (US\$Nil) (December 31, 2018 - \$66,104 (US\$50,000)) related to mineral property costs capitalized pursuant to the Purchase Option letter agreement for the Oro Cruz Property.

**LINCOLN GOLD MINING INC. (Formerly – Lincoln Mining Corporation)**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2019  
*(All amounts are in Canadian Dollars, unless otherwise stated)*

**14 Income Taxes**

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

	Year ended December 31, 2019	Year ended December 31, 2018
	\$	\$
Loss for the year	(707,311)	(1,338,287)
Expected income tax recovery	(191,000)	(361,000)
Change in statutory, foreign tax, foreign exchange rates and other	99,000	701,000
Permanent differences	3,000	1,000
Share issue costs	-	(2,000)
Adjustment to prior years provision versus statutory tax returns	(401,000)	-
Change in unrecognized deductible temporary differences	490,000	(339,000)
	-	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	December 31, 2019	December 31, 2018	Expiry Date Range
	\$	\$	
Temporary differences:			
Mineral properties	3,641,000	4,434,000	No expiry date
Share issue costs	25,000	39,000	2040 to 2042
Other	99,000	104,000	No expiry date
Non-capital losses available for future periods	15,444,000	14,163,000	2029 to indefinite

Tax attributes are subject to review, and potential adjustment by tax authorities.

**15 Segmented information**

The Company operates in one reportable operating segment, being the acquisition, exploration and evaluation of mineral properties.

The Company operates within two geographic areas – United States of America and Canada.

	Non-current assets
	\$
<b>December 31, 2018</b>	
United States of America	73,790
Canada	12,250
	<b>86,040</b>
<b>December 30, 2019</b>	
United States of America	157,818
Canada	100,353
	<b>258,171</b>

## **LINCOLN GOLD MINING INC. (Formerly – Lincoln Mining Corporation)**

### **Notes to the Consolidated Financial Statements**

For the years ended December 31, 2019

*(All amounts are in Canadian Dollars, unless otherwise stated)*

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#### **16 Subsequent events**

In March 2020, the Company entered into various settlement agreements with respect to approximately \$1,355,720 of debts. Debts of \$220,000 with related parties will be settled through the issuance of 2,200,000 common shares of the Company. The remaining debt currently due of approximately \$1,135,720 will be restructured and become payable over 3 years.

During April 2020, the Company has closed a non-brokered private placement offering of 2,200,000 units of the Company at a price of \$0.075 per unit to raise gross proceeds of \$165,000. Each unit consists of one common share of the Company and one half of a common share purchase warrant. Each warrant entitles the holder, on exercise thereof, to purchase one additional common share at a price of \$0.10 per share for a period of 24 months from the closing of the private placement.

Subsequent to the closing of the April 2020 financing, the Company issued 800,000 shares with respect to the Pine Grove acquisition - see Note 5(a)(v).



## FORM 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) WHICH HAS BEEN PREPARED ON APRIL 22, 2020 TO ACCOMPANY THE ANNUAL AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF LINCOLN GOLD MINING CORPORATION (THE "COMPANY" OR "LINCOLN") FOR THE YEAR ENDED DECEMBER 31, 2019.

This Management's Discussion and Analysis ("MD&A"), should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended December 31, 2019. All financial amounts are stated in Canadian currency unless stated otherwise.

Our financial statements and the management's discussion and analysis are intended to provide a reasonable base for the investor to evaluate our financial situation.

Our financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). All dollar amounts contained in this MD&A are expressed in Canadian dollars, unless otherwise specified.

Where we say "we", "us", "our", the "Company" or "numbered company", we mean Lincoln Gold Mining Inc., as it may apply.

This management discussion and analysis may contain forward-looking statements in respect of various matters including upcoming events and include without limitation, statements regarding discussions of the Company's business strategy, future plans, projections, objectives, estimates and forecasts and statements as to management's expectations with respect to, among other things, the development of the Company's project. These forward-looking statements involve numerous risks and uncertainties and actual results may vary. Important factors that may cause actual results to vary include without limitation, certain transactions, certain approvals, changes in commodity prices, risks inherent in exploration results, timing and success, inaccurate geological and metallurgical assumptions (including with respect to the size, grade and recoverability of mineral reserves and mineral resources), delays in the receipt of government approvals, and changes in general economic conditions or conditions in the financial markets. In making the forward-looking statements in this MD&A, the Company has applied several material assumptions, including without limitation, the assumptions that: (1) any additional financing needed will be available on reasonable terms.

Additional factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements include, among other factors: (1) weak commodity prices and general metal price volatility; (2) the state of the global economy and economic and political events, including the deterioration of the global capital markets, affecting supply and demand and economic and political events affecting supply and demand; and (3) securing and the nature of regulatory permits and approvals and the costs of complying with environmental, health and safety laws and regulations.

The Company cannot assure you that any of these assumptions will prove to be correct.

The words "expect," "anticipate," "estimate," "may," "will," "should," "intend," "believe," "target," "budget," "plan," "projection" and similar expressions are intended to identify forward-looking statements. Information concerning mineral reserve and mineral resource estimates also may be considered forward-looking statements, as such information constitutes a prediction of what mineralization might be found to be present during operations or if and when an undeveloped project is actually developed.

**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the years ended December 31, 2019 and 2018**

*(in Canadian dollars, unless otherwise stated)*

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These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. The Company believes that the expectations reflected in the forward-looking statements, including future-oriented financial information, contained in this MD&A and any documents incorporated by reference are reasonable, but no assurance can be given that these expectations will prove to be correct. In addition, although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, including future-oriented financial information, there may be other factors that cause actions, events, or results not to be as anticipated, estimated, or intended. The Company undertakes no obligation to disclose publicly any future revisions to forward-looking statements, including future-oriented financial information, to reflect events or circumstances after the date of this MD&A or to reflect the occurrence of unanticipated events, except as expressly required by law.

Additionally, the forward-looking statements, including future-oriented financial information, contained herein are presented solely for the purpose of conveying our reasonable belief of the direction of the Company and may not be appropriate for other purposes.

The results or events predicted in these forward-looking statements may differ materially from the actual results or events. The Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

This MD&A contains certain forward-looking statements based on the best beliefs, and reasonable assumptions of the management of Lincoln Gold Mining Corporation. There are many risks and uncertainties attached to the mineral exploration business. Given these risks and uncertainties, the reader should not place undue reliance on these forward-looking statements.

Additional information relating to the Company's activities may be found on the Company's website at [www.lincolnmining.com](http://www.lincolnmining.com) and at [www.sedar.com](http://www.sedar.com).

## **1. Overview**

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Lincoln Gold Mining Corporation (the "Company" or "Lincoln") is incorporated under the Business Corporations Act, British Columbia. The Company's head and registered office, principal address and records is Suite 400 - 789 West Pender Street, Vancouver, British Columbia, Canada, V6C 1H2. The Company is listed on the TSX Venture Exchange ("TSX-V: LMG") and Frankfurt Stock Exchange ("ZMG").

Lincoln Gold Mining Corp. is an advanced-stage precious metals exploration and development company with two projects in various stages of exploration which include the Pine Grove property in Nevada, USA, and the Oro Cruz gold property in California, USA. In the United States, the Company operates under its subsidiaries, Lincoln Gold US Corp and Lincoln Resource Group Corp. On September 24, 2019, the Company consolidated its common shares on the basis of ten pre-consolidated common shares for one post-consolidated common share. The Company also completed a name change to Lincoln Gold Mining Inc. from Lincoln Mining Corporation. The TSXV approved this consolidation of stock and name change in September 2019.

The Company's intention and strategies are to continue to advance its projects, with a long term goal of building Lincoln into a mid-tier gold producer.

### **Activities during the period 2020**

In April 2020, the Company closed a non-brokered private placement offering (the "Private Placement") of 2,200,000 units of the Company (the "Units") at a price of \$0.075 per Unit to raise gross proceeds of \$165,000. Each Unit consists of one common share in the capital of the Company (a "Common Share") and one half of a Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder, on exercise thereof, to purchase one additional Common Share at a price of \$0.10 for a period of 24 months from the closing of the Private Placement.

**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the years ended December 31, 2019 and 2018**

*(in Canadian dollars, unless otherwise stated)*

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**Activities during the period 2020** (continued)

Subsequent to the closing, the Company issued 800,000 shares to Goldcliff with respect to the Pine Grove acquisition (see FS note 5(a)(v)).

In February 2020 the Company announces that it has engaged Stantec Inc. of Reno, NV as lead consultant to oversee and complete the Environmental Impact Statement (EIS) for the Pine Grove Gold Project. Stantec is working closely with the United States Forest Service (USFS), the lead agency for the Pine Grove project. The USFS is an agency of the US Department of Agriculture managing about 25% of federal lands. The USFS has authorized and is directing the various studies to be conducted by Stantec that will culminate in an EIS. The EIS will be submitted for review under the National Environmental Policy Act (NEPA). Final NEPA approval is necessary for the Pine Grove project to proceed to the construction phase of an open-pit, heap leach operation and onto commercial production.

In March 2020, the Company entered into various settlement agreements with respect to approximately \$1,355,720 of debts. Debts of \$220,000 with related parties will be settled through the issuance of 2,200,000 common shares of the Company. The remaining debt currently due of approximately \$1,135,720 will be restructured and become payable over 3 years.

**Activities during the year ended December 31, 2019:**

On March 4, 2019, the Company granted to Demerara Gold Corp. ("Demerara") and Bell Mountain Exploration Corp. ("Bell Mountain") the right to enter into a formal Option and Joint Venture Agreement until June 30, 2019 for the exploration of the Oro Cruz property. To earn a 75% interest, Demerara and Bell Mountain will have to spend approximately USD\$2.1 million in property payments, exploration and development over the next five years. As consideration for granting the due diligence period, Demerara and Bell Mountain will pay the Company US\$10,000 and commit to purchasing \$35,000 worth of securities in the Company's next private placement. Demerara has advanced \$113,586 (US\$85,000) to the Company as of March 31, 2019. These funds will become immediately due and payable to Demerara if the Option and Joint Venture Agreement is not entered into by June 30, 2019. Upon execution of the Option and Joint Venture Agreement, the funds advanced will be credited towards the ongoing obligations of the property payments to ADGIS.

Lincoln announced early in 2019 that the Editorial Board of Mergent, Inc. ("Mergent") has approved the Company for a listing in Mergent Manuals and News Reports™ (the "Manual"). Lincoln's corporate profile in the Manual, which includes descriptive text data as well as news and financial statements, will be accessible via Mergent's online and printed products. As part of Mergent's listing services, Lincoln's new corporate description will be highlighted separately on [www.mergent.com](http://www.mergent.com) with an active hyperlink back to Lincoln's website.

On September 24, 2019, the Company consolidated its common shares on the basis of ten pre-consolidated common shares for one post-consolidated common share. The number of common shares outstanding has been retroactively adjusted in these financial statements and management discussion and analysis to reflect the share consolidation. Simultaneously with the share consolidation, the Company also completed a name change to

Lincoln Gold Mining Inc. from Lincoln Mining Corporation.

On September 16, 2019 Lincoln announced that following a recent review of all available data regarding the Pine Grove Gold Project (the "Property"), including in particular, the results of its most recent surface drill program, it has updated the mineral resource estimate for the Property. (See News Release of that day). The updated resource estimate will be included in the permitting process as the project advances towards production. The updated mineral resource estimate for the Wheeler and Wilson deposits comprising the Pine Grove Project totals 210,962 ounces gold from 5,888,107 tons at 0.036 ounces/ton Measured and Indicated and 1,324 ounces gold from 43,450 tons at 0.030 ounces/ton Inferred.

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**Activities during the year ended December 31, 2019** (continued)

On October 30, 2019, the Company closed a non-brokered private placement. The Company issued a total of 6,400,000 units at a price of \$0.10 per unit for total gross proceeds of \$640,000. Each unit is comprised of one common share of the Company and one-half common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.14 per share until October 30, 2021. Net proceeds will be primarily used towards a prefeasibility study and the final stages of permitting for the Pine Grove project in Nevada. At the 24<sup>th</sup> of September there were 8,064,596 shares issued and outstanding and after the non-brokered financing there were 14,464,596 shares issued and outstanding.

On November 18, 2019, the Company issued 1,200,000 shares to Goldcliff Canada, pursuant to the Pine Grove Property, Nevada mineral interest. See Note 5 of the audited consolidated financial statements for the year ended December 31, 2019.

In November the Company announced a brokered Private Placement led by Leede Jones Gable on a commercially reasonable basis of up to 8 million units at a price of \$0.10 per unit for a total maximum offering of \$800,000 and a minimum offering of 3,600,000 units for gross proceeds of \$360,000. Each unit consists of one common share and one half of one Common Share purchase warrant. Each full warrant will allow the holder to purchase a common share for \$0.14. Net proceeds will be mainly used for the permitting and prefeasibility of the Pine Grove project and general working capital. Unfortunately this private place was terminated in early January 2020 with no money being raised.

**Activities noted for 2018.**

On March 26, 2018 the Company terminated the Option Agreement with Ausgold Resources Pty Ltd on the Oro Cruz project in Imperial County, California. Lincoln retains the property in good standing and announced on May 11, 2018 that it had re-acquired the Hercules claims by signing a Purchase Option Agreement with ADGIS, the owner of the claims in Imperial County, California ("JV Option").

On May 15, 2018 the Company submitted a Mine Plan of Operations to the United States Forest Service for the Pine Grove project.

On May 1, 2018, the Company entered into a Purchase Option Letter agreement to re-acquire a 100% interest in the Hercules claims from ADGIS, Inc. The Hercules claims consist of 20 lode claims covering the Oro Cruz pit and gold deposit in Imperial County, California. The Oro Cruz property now consists of the 20 lode claims optioned to Lincoln under the Purchase Option, plus the 131 lode claims currently held by the Company, for a total of 151 claims comprising over 3,000 acres.

On May 30, 2018, the Company closed a non-brokered private placement. The Company issued a total of 6,000,000 units at a price of \$0.05 per unit for total gross proceeds of \$300,000. Each unit is comprised of one common share of the Company and one non-transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.08 per share until April 26, 2022.

On August 24, 2018, the Company received \$65,180 (US\$50,000) from Dragon Hill Creation Limited. The loan is unsecured and evidenced by a promissory note bearing interest at 10% per annum, calculated and payable on the termination date of the promissory note being June 30, 2019. The Company may prepay the principal, in whole or in part, at any time without penalty.

On September 11, 2018, the Company received an additional \$65,070 (US\$50,000) from Dragon Hill Creation Limited. The loan is unsecured and evidenced by a promissory note bearing interest at 10% per annum, calculated and payable on the termination date of the promissory note being June 30, 2019. The Company may prepay the principal, in whole or in part, at any time without penalty.

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**Activities noted for 2018.** (continued)

On October 23, 2018, the Company received an additional US\$70,000 from Dragon Hill Creation Limited. The loan is unsecured and evidence by a promissory note bearing interest at 10% per annum, calculated and payable on the termination date of the promissory note being June 30, 2019. The Company may prepay the principal, in whole or in part, at any time without penalty.

On November 15, 2018, the Company settled outstanding debt of \$20,000 with an arm's length creditor of the Company by issuing 400,000 common shares and 400,000 share purchase warrants. Each warrant entitles the holder to purchase one common share at a price of \$0.08 per share until April 26, 2022.

**Cash Flow Analysis**

*Operating Activities*

During the years ended December 31, 2019 and 2018, cash used in operating activities was \$1,083,566 and (2018 – \$1,184,330) respectively for activities as described above and below.

*Investing activities*

During the years ended December 31, 2019, the cash provided by investing activities was \$288,315 and used in investing activities for the year ended December 31, 2018 was \$29,943. The cash received by investing activities was from the recovery on mineral properties of \$132,260 in the current year and \$61,426 in the previous year. There was also cash received from exploration funding received of \$219,144 in the current year and \$33,010 in the prior year. Cash spent by investing activities was \$63,089 in the acquisition of mineral properties and \$64,493 in the prior year.

*Financing activities*

During the years ended December 31, 2019 and 2018, the company received \$781,393 (2018 - \$1,202,590 cash from financing activities. There was a net of \$640,000 (2018 - \$995,500) received from share issuances, and \$213,595 (2018 - \$222,244) cash received from promissory notes. Loans paid cost the Company \$17,005 (2018 - \$15,154) in cash. The Company paid \$55,197 for its lease liability.

**Projects**

***Pine Grove Project Status***

See previous section regarding 2019 Activities relating to Pine Grove.

During the year ended December 31, 2016, the Company entered into an Exploration License Agreement (the "Agreement") with Placer Solutions LLC ("Placer"), a private company based in Montana, USA, to explore the placer claims on Lincoln's Pine Grove project in Nevada (the "Placer Claims"). The Agreement applies to the Company's Pine Grove placer claims only as it is the Company's intent to develop its lode claims separately.

Under the terms of the Agreement, for a period of 18 months, the Company has granted Placer: i) the exclusive right to explore the Placer Claims for a one-time payment of US\$10,000 (received), ii) an exclusive option to enter into a five (5) year mining lease on the Claims for an annual rental fee of US\$10,000 (received) for the first year and US\$6,000 thereafter and a net operating profit royalty of 20% (the "Lease Option").

Should Placer exercise the Lease Option, Placer has an exclusive right to purchase the Placer Claims (and certain ancillary water rights) plus buyout the royalty for a total consideration of US\$1,500,000 for a period of three years from the anniversary of the lease. The Agreement may be terminated at Placer's discretion upon 60 days' written notice to the Company.

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**Pine Grove Project Status**(continued)

In January 2017 Lincoln received word from Placer that it would carry on with its operation at the Pine Grove property. During the summer, fall and winter months of 2017 and into the early part of 2018 Placer carried out various work programs. The work included seismic refraction surveys, dump sampling, and sonic drilling of the dumps and natural occurring placer materials. Also in early 2018 Placer planned and completed screening operations and dump material stockpiling which will be fed through a gravity recovery plant later in the year.

In June 2016, Goldcliff Resource Corporation ("Goldcliff"), a company with a common director, acquired the lease to the Wilson claims from the Company in exchange for Goldcliff assuming the future lease commitments as well as outstanding lease payments and work commitments.

In August 2016, the Company entered into an agreement with Goldcliff whereby Goldcliff can earn a 40% interest in the Wheeler and Votipka leases and Cavanaugh property in exchange for incurring US\$1,400,000 in exploration expenditure on the properties over three years, and conveying back to the Company a 60% interest in the Wilson lease that previously was acquired by Goldcliff. The Company is the operator for the earn-in.

The drilling program previously announced on October 27, 2016 was completed by mid-December. The 14 holes totalled 2,132.6 metres (6,9762.5 feet). All assays were received by the first of February and are reviewed in the news release of February 9<sup>th</sup>, 2017.

No additional exploration work was carried out on the property during 2017. However a number of permitting studies were performed. In August the Company engaged a team of consultants to guide it through the permitting process. The Company plans to submit a Plan of Operations (PoO) by August 2018 which will include all

pertinent information regarding the overall design, construction plans, operational details, and closure scenario of the proposed mine.

To aid the Company in all this work, Lincoln is pleased to announce the engagement of an effective permitting team that will allow it to proceed with permitting of the Pine Grove Project towards operation. The consulting team with respective task assignments consists of the following:

**Stantec Consulting Services Inc.** – For the collection of environmental baseline data and writing of environmental reports. Stantec has prepared documentation to present the results of acid base accounting ("ABA") and meteoric water mobility procedure ("MWMP") of samples from drill holes intended to test waste rock at Lincoln's proposed Pine Grove Project. This testing was requested by the NDEP's Bureau of Mining Reclamation and Regulation ("BMRR"). Stantec has delivered archaeological, botanical and wildlife studies to the USFS. Stantec installed a meteorological station and has collected site-specific weather data since 2010. Stantec is preparing a Reclamation Plan for the proposed Pine Grove mine.

**Welsh Hagen Associates** – Working with management and other consultants on the Plan of Operations ("POO") as it pertains to mine design.

**Kappes, Cassidy & Associates** – Metallurgical assessment, process engineering, and mine facilities design and construction.

**Golder Associates Inc.** – Collection and evaluation of geotechnical information required for the POO and pit wall stability.

On May 15, 2018, the Company through its subsidiary Lincoln Resource Group Corp., submitted a Mine Plan of Operations (**PoO**) to the United States Forest Service, Humboldt-Toiyabe National Forest. The PoO was compiled by Welsh Hagen Associates of Reno, Nevada and incorporated data and information from a number of consulting companies that are working on the project. Submission of the PoO initiates the National Environmental Policy Act (**NEPA**), which requires the compilation of an Environmental Impact Statement (**EIS**), including public comment.

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**Pine Grove Project Status**(continued)

The lead agency is the U.S. Forest Service – Bridgeport Ranger District in Bridgeport, California. Lincoln is working closely with its prime environmental contractor, Stantec Consulting Services of Reno, Nevada and the U.S. Forest Service to advance the permitting process as quickly as possible. Stantec has been chosen as our Prime Contractor for the EIS.

**Oro Cruz Property Status**

The Oro Cruz property has excellent potential for open-pit and underground mining. An Inferred resource for the project was reported in a NI 43-101 Technical Report in September 2010.

Lincoln's immediate goal has been to increase and advance the 376,600 Inferred ounces gold to Measured and Indicated categories by confirmation drilling. No significant exploration work has been completed since early 2013. New funding will be required for the confirmation program. The Company is considering the possibility of a JV on the project.

In May of 2017 Lincoln announced that pursuant to a letter agreement dated May 9, 2017, the Company, through its subsidiary, Lincoln Gold US Corp. ("**Lincoln US**"), granted Ausgold Resources Pty. Ltd. ("**Ausgold**") an option until June 30, 2017 to enter into a joint venture agreement for the development of the Oro Cruz Property located in Imperial County, California ("**JV Option**"). As consideration for granting the JV Option, Ausgold has paid Lincoln US USD\$7,500 and committed to purchasing USD\$30,000 worth of securities in the Company's next private placement.

The JV Option is exercisable by Ausgold providing Lincoln US with notice that Ausgold is satisfied with its due diligence investigation of Lincoln US's Oro Cruz Property and has entered into an option with a third party to acquire certain mineral claims referred to as the Hercules claims in Imperial County, California.

The joint venture will cover the Hercules claims and the 131 claims held by Lincoln US as well as any mining interests or mineral properties acquired by either party within five miles of the Lincoln US claims.

The JV Option was exercised and the parties agreed to negotiate a formal joint venture agreement which will include the following:

- a. periodic payments to Lincoln US from June 30, 2017 until January 15, 2019 totalling US\$225,000 plus 200,000 shares of Ausgold (or an additional US\$30,000 if Ausgold shares are not publicly traded);
- b. expenditures of an aggregate of US\$1,000,000 by January 15, 2019 on the claims covered by the joint venture, with Ausgold as the operator;
- c. upon the above payments and expenditures being made, Ausgold will hold a 51% joint venture interest and Lincoln US will hold a 49% interest;
- d. upon Ausgold earning a 51% joint venture interest, Ausgold shall have the right to increase its interest in the joint venture to 75% by spending an additional US\$1,100,000 on the joint venture properties by January 15, 2020.

Lincoln announced in March 2018 that its subsidiary, Lincoln Gold US Corp. ("**Lincoln US**"), terminated the option it granted to Ausgold Resources Pty. Ltd. ("**Ausgold**") on May 9, 2017 on Lincoln US' Oro Cruz property as a consequence of Ausgold not satisfying its obligations under the option agreement. Lincoln retains the property in good standing. Lincoln retains the property in good standing and announced on May 11, 2018 that it had re-acquired the Hercules claims by signing a Purchase Option Agreement with ADGIS, the owner of the claims in Imperial Country, California ("**JV Option**").

On May 1, 2018, the Company entered into a Purchase Option Letter agreement to re-acquire a 100% interest in the Hercules claims from ADGIS, Inc. ("**ADGIS**") (this agreement replaces the original agreement from February

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**Oro Cruz Property Status** (continued)

2010). The Company must make scheduled payments to ADGIS totaling US\$500,000 over five years and royalty payments as follows:

- US\$25,000 by May 15, 2018 (paid)
- US\$25,000 by August 1, 2018 (paid)
- US\$25,000 by October 1, 2018 (paid)
- US\$25,000 by December 1, 2018 (paid)
- US\$50,000 by May 15, 2019 (paid)
- US\$50,000 by May 15, 2020
- US\$100,000 by May 15, 2021
- US\$100,000 by May 15, 2022
- US\$100,000 by May 15, 2023
- 2% net smelter return royalty from production within the Hercules claim boundaries ("Hercules Royalty")
- 1% net smelter return royalty from production generated by the Company outside the Hercules claim boundaries and within a 1-mile radius of the Hercules claims ("Buffer Royalty")

0.5% of the Hercules Royalty and the Buffer Royalty together can be repurchased by the Company for US\$500,000, which would reduce the Hercules Royalty to 1.5% and the Buffer Royalty to 0.5%.

An additional 0.5% of the Hercules Royalty can be repurchased by the Company for US\$500,000 to reduce the Hercules royalty to 1%.

On February 28, 2019, the Company granted to Demerara Gold Corp. "Demerara" and Bell Mountain Exploration Corp. "Bell Mountain" the right to enter into a formal Option and Joint Venture Agreement for the exploration of the Oro Cruz property. To earn a 75% interest, Demerara and Bell Mountain will have to spend approximately USD\$2.1 million in property payments, exploration and development over the next five years. As of September 30, 2019, Demerara and Bell Mountain have advanced \$252,154 (December 31, 2018 - \$33,010) to the Company. With the signing of the formal agreement below, these advances are no longer payable, will be acknowledged as applied towards exploration expenditures and have been recorded as a recovery.

On October 1, 2019, the Company entered into a formal Option and Joint Venture Agreement with Demerara Gold Corp. "Demerara" and Bell Mountain Exploration Corp. "Bell Mountain" collectively the "Optionee", granting the optionee an option to purchase up to an undivided 75% interest in the Oro Cruz Property

i) **First Option** – 51% interest in the Oro Cruz Property

The Company grants the Optionee the right to acquire a 51% interest in the Oro Cruz Property by paying US\$110,000 cash, funding the payments made to maintain the AIDGIS Agreement in good standing, and incurring US\$1,000,000 in exploration expenditures as follows:

Cash of US\$110,000 as follows:

- Cash of US\$10,000 paid to the Company – paid March 6, 2019;
- Cash of US\$25,000 to be paid to the Company on or before February 15, 2020 (received);
- Cash of US\$25,000 to be paid to the Company on or before February 15, 2021;
- Cash of US\$25,000 to be paid to the Company on or before February 15, 2022;
- Cash of US\$25,000 to be paid to the Company on or before February 15, 2023.

Cash payments to ADGIS

- Cash of US\$50,000 paid to ADGIS – paid May 15, 2019;
- Cash of US\$50,000 to be paid to ADGIS on or before April 15, 2020 (paid);
- Cash of US\$100,000 to be paid to ADGIS on or before April 15, 2021;
- Cash of US\$100,000 to be paid to ADGIS on or before April 15, 2022;
- Cash of US\$100,000 to be paid to ADGIS on or before April 15, 2023.

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**Oro Cruz Property Status** (continued)

Exploration expenditures of US\$1,000,000 as follows:

- Exploration of US\$200,000 acknowledged as incurred to October 1, 2019 (Incurred);
- Exploration of US\$400,000 cumulative to be incurred before October 1, 2020;
- Exploration of US\$700,000 cumulative to be incurred before October 1, 2021;
- Exploration of US\$1,000,000 cumulative to be incurred before October 1, 2022.

ii) **Second Option** – 75% interest in the Oro Cruz Property (It is 51% plus an additional 24%)

The Company grants the Optionee the right to acquire an additional 24% interest in the Oro Cruz Property by making cash payments, or incurring exploration expenditures in any combination thereof to a total of US\$600,000 on or before October 01, 2023.

**2. Selected Annual Information**

The following selected annual information is provided for each of the Company's most recent completed financial years being December 31, 2019, December 31, 2018 and December 31, 2017.

Year ending December 31,	2019 \$	2018 \$	2017 \$
Total Revenue	Nil	Nil	Nil
Net (Loss) Gain for the year	(707,311)	(1,338,287)	2,127,815
(Loss) Gain per share	(0.08)	(0.19)	0.61
Total Assets	372,806	266,327	193,618
Total non-current financial liabilities	120,471	88,673	81,543
Dividend per share	Nil	Nil	Nil

The Company had no revenue as the Company has not yet determined whether its mineral properties contain ore reserves; therefore, the Company has incurred ongoing losses since inception.

During the year ending December 31, 2018 the Company showed an increased loss as exploration expenses showed an increase in 2018. The Company expenses its exploration expenses and had exploration expenses of \$1,147,512 in 2018, compared to \$355,806 in 2019 and \$446,937 in 2017.

The main reason why the total non-current financial liabilities increased with \$31,798 in 2019, compared to 2018 because the long term portion of the lease liability was added to long term liabilities.

During the year ending December 31, 2017 the Company had a net gain of \$2,127,815 compared to losses of \$707,311 in 2019 and \$1,338,287 in 2018. The reason for this net gain of \$2,127,815 in 2017 was the gain of \$3,018,025 realized on the settlement of debts. This gain also explains the gain per share in the same year, versus losses in the other years.

**3. Results of Operations**

**Results of Operations – For the year ended December 31, 2019**

For the year ended December 31, 2019, the Company incurred an operational loss of \$707,311(2018 - \$1,338,287). The Company recorded a recovery of \$252,154 (2018 \$Nil) from advances received for exploration expenditures. Exploration expenses were \$366,421 (2018 - \$1,147,512).

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**3. Results of Operations (continued)**

The significant expenses comprise of the following:

	2019	2018	2017
	\$	\$	\$
<b>Revenues</b>	-	-	-
<b>Exploration expenses</b>	<b>366,421</b>	<b>1,147,512</b>	<b>446,937</b>
<b>Impairment provision for mineral properties</b>	-	-	-
<b>Recovery of mineral properties previously impaired</b>	-	-	-
<b>Impairment provision for reclamation bond</b>	-	-	-
<b>Administrative expenses (top 5 categories):</b>			
Consulting and management fees	133,320	138,680	123,050
Foreign exchange	(68,622)	121,096	(74,633)
Investor relations and shareholder services	80,317	145,065	180,489
Office maintenance	72,449	47,301	14,312
Professional fees (legal and accounting)	164,209	201,233	180,677
<b>Subtotal</b>	<b>381,673</b>	<b>653,375</b>	<b>423,895</b>
% to administration expenses	83%	93%	94%
<b>Other administrative expenses</b>			
Share-based compensation	-	-	-
Other administrative expenses	72,449	50,243	26,052
Interest income	(80)	(44)	(61)
Interest expense	57,702	17,672	18,879
Write-down of accounts receivable	96,598	-	7,683
Write-off of exploration fund liability	(252,154)	-	-
Write-off of accounts payable	(18,570)	-	(33,175)
Gain on settlement of debts	-	(530,471)	(3,018,025)
<b>Net income (loss) for the year</b>	<b>(707,311)</b>	<b>(1,338,287)</b>	<b>2,127,815</b>
<b>Comprehensive earnings (loss) for the year</b>	<b>(707,311)</b>	<b>(1,338,287)</b>	<b>2,127,815</b>
<b>Basic and diluted earnings (loss) per common share</b>	<b>(0.08)</b>	<b>(0.19)</b>	<b>0.61</b>
<b>Total assets</b>	<b>372,806</b>	<b>266,327</b>	<b>193,618</b>
<b>Total non-current liabilities</b>	<b>120,471</b>	<b>88,673</b>	<b>81,543</b>
<b>Cash dividends declared per share</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

Other administrative expenses consists of administrative support of \$Nil (2018 \$Nil, 2017: \$1,405), depreciation of \$50,053 (2018 - \$3,350, 2017: \$4,594) and travel of \$24,713 (2018 - \$46,893, 2017 - \$20,053).

Consulting and management fees slightly decreased by \$5,360 from \$138,680 in 2018 to \$133,320 in 2019, investor relations and shareholder services decreased by \$64,748 from \$145,065 in 2018 to \$80,317 in 2019, and professional fees decreased by \$37,024 from \$201,233 in 2018 to \$164,209 in 2019.

Due to the completed private placements and debt settlement to certain creditors during the prior years, the Company had increased costs related to investor relations and shareholder services and professional fees in 2018 and 2017 compared to 2019.

During the year ending December 31, 2019 the company recorded \$57,702 as interest expense including an amount of \$45,426 which relates to the new disclosure of leases, compared to \$17,672 for 2018 and \$18,879 for 2017 as a result of the loans and promissory notes, except for loans from the President of the Company, ceasing to accrue interest effective January 1, 2016.

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**3. Results of Operations (continued)**

The Company's key projects are Pine Grove, and Oro Cruz. The total costs incurred on all significant projects since 2007 is summarized in the table below:

Exploration expenses (recoveries)	Pine Grove	Oro Cruz	Bell Mountain	La-Bufa	Other properties (refunds)	Total
	\$	\$	\$	\$	\$	\$
<b>2019</b> , (IFRS reporting)	209,507	275,270	-	-	1,429	486,206
<b>2018</b> , (IFRS reporting)	1,022,064	118,887	-	-	6,561	1,147,512
<b>2017</b> , (IFRS reporting)	509,985	(70,594)	-	-	7,546	446,937
<b>2016</b> , (IFRS reporting)	(602)	47,238	-	-	-	46,636
<b>2015</b> , (IFRS reporting)	162,901	83,380	33,104	-	-	279,385
<b>2014</b> , (IFRS reporting)	318,941	157,797	144,295	46,897	7,811	675,741
<b>2013</b> , (IFRS reporting)	326,388	119,081	1,200,383	87,646	32,150	1,765,648
<b>2012</b> , (IFRS reporting)	234,525	247,285	100,461	402,810	7,590	992,671
<b>2011</b> , (IFRS reporting)	610,664	404,483	-	1,240,844	11,288	2,267,279
<b>2010</b> , (IFRS reporting)	1,609,436	310,637	-	472,534	1,645	2,394,252
<b>2009</b> , (Canadian GAAP)	553,319	7,586	-	121,861	(7,898)	674,868
<b>2008</b> , (Canadian GAAP)	509,333	-	-	1,501,906	14,347	2,025,586
<b>2007</b> , (Canadian GAAP)	154,145	-	-	163,705	25,287	343,137
	<b>6,220,606</b>	<b>1,701,050</b>	<b>1,478,243</b>	<b>4,038,203</b>	<b>106,327</b>	<b>13,545,858</b>
<b>Less recoveries</b>	<b>(33,438)</b>	<b>(425,727)</b>	<b>-</b>	<b>(1,051,735)</b>	<b>-</b>	<b>(1,510,900)</b>
<b>Total exploration expenses incurred</b>	<b>6,187,168</b>	<b>1,275,323</b>	<b>1,478,243</b>	<b>2,986,468</b>	<b>107,756</b>	<b>12,034,958</b>

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**4. Summary of Quarterly Results**

	<b>4<sup>th</sup> Quarter 2019</b>	<b>3<sup>rd</sup> Quarter 2019</b>	<b>2<sup>nd</sup> Quarter 2019</b>	<b>1<sup>st</sup> Quarter 2019</b>
Revenue	\$ -	\$ -	\$ -	\$ -
Exploration expenses	61,727	164,531	103,462	26,086
Administrative expenses (incl. interest expense)	295,286	(2,688)	110,438	54,825
Income (loss) and comprehensive earnings (loss)	(263,189)	(161,843)	(213,900)	(68,379)
Basic and diluted earnings (loss) per share	(0.01)	(0.02)	(0.03)	(0.01)
Total assets	372,806	431,576	297,770	371,929
Working capital deficiency	(2,817,436)	(2,887,815)	(3,056,222)	(2,826,995)

	<b>4<sup>th</sup> Quarter 2018</b>	<b>3<sup>rd</sup> Quarter 2018</b>	<b>2<sup>nd</sup> Quarter 2018</b>	<b>1<sup>st</sup> Quarter 2018</b>
Revenue	\$ -	\$ -	\$ -	\$ -
Exploration expenses (recovery)	654,122	144,427	257,926	91,037
Administrative expenses (incl. interest expense)	218,845	108,269	184,595	201,629
Income (loss) and comprehensive earnings (loss)	(875,695)	(252,696)	(442,521)	232,625
Basic and diluted earnings (loss) per share	(0.12)	(0.00)	(0.01)	0.00
Total assets	266,327	212,865	249,207	346,020
Working capital (deficiency)	(2,765,792)	(1,903,233)	(1,617,592)	(1,445,490)

The Company had no revenue as the Company has not yet determined whether its mineral properties contain ore reserves; therefore, the Company has incurred ongoing losses since inception.

During the quarter ending December 31, 2019, the Company spend \$61,727 on exploration expenses which is \$592,395 less than the \$654,122 spent on exploration expenses for the same quater in the previous year.

During the quarter ending December 31, 2019, the Company recorded recoveries against exploration expenditures, decreasing the losses made during the quarter with \$252,154 compared wth the same quarter during the previous year.

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## 5. Projects

### PROJECTS - Overview

#### Projects

**Pine Grove Property, Nevada** – The Pine Grove project, located in Lyon County, Nevada, is the Company's most advanced project. At the time of writing of this MDA Lincoln is well underway the permitting studies needed to take the project to production. A prefeasibility study will be undertaken in 2020 and should be completed that same year.

#### ***Pine Grove Gold Property, Lyon County, Nevada***

##### ***Pine Grove – Overview:***

The Pine Grove Property continues as a development-stage gold project. The project lies approximately 20 miles south of Yerington, in the Pine Grove Hills, Lyon County, Nevada. The Company has mining leases on the Wilson and Wheeler mines (patented claims) and 243 unpatented claims owned directly by Lincoln. The Company's land position covers approximately 7 square miles that encompass the main gold mineralization, exploration targets and adequate land for mine facilities. Two hundred seventy-three holes have been drilled in the district. Eighty-three holes were drilled in 2009 and 2010 by Lincoln.

On December 8, 2011, a Preliminary Economic Assessment (PEA) was issued by Telesto Nevada Inc. of Reno, NV. An amended and restated PEA was issued on February 4, 2015 by Welsh-Hagen Associates (formerly Telesto Nevada Inc.) and their Qualified Persons. (see Lincoln news release February 16, 2015)

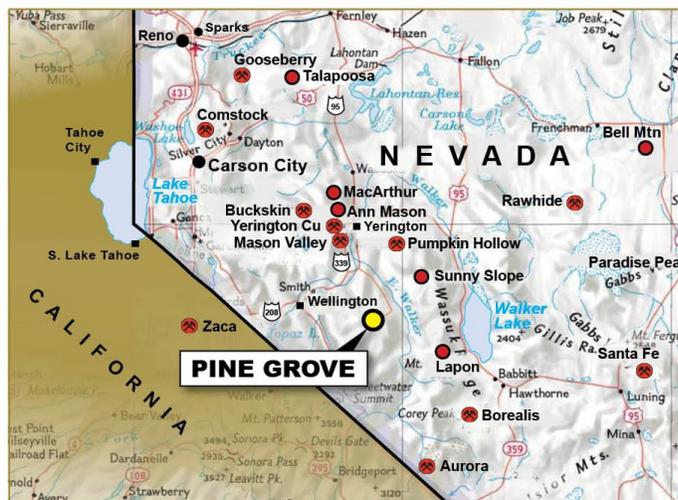
The 2015 PEA reports total Measured and Indicated resources at 134,500 ozs gold contained in 3,373,000 tons of mineralized material grading 0.040 opt Au using a cutoff grade of 0.007 opt gold. Inferred resources were reported at 6,600 ozs gold contained in 160,000 tons of mineralized material grading 0.041 opt Au using a cutoff grade of 0.007 opt Au. In order to comply with the CIM definition for resources, only those mineralized blocks contained within a designed pit shell are reported as resources.

These resources are contained in two conceptual pits, the Wheeler and the Wilson, based on a gold price of \$1,425.

##### ***The Pine Grove – The 2015 Preliminary Economic Assessment***

Combined Measured resources (72%) and Indicated resources (28%) total 134,500 ozs gold within designed pit shells containing 3,373,000 tons of mineralized material grading 0.040 opt gold at a 0.007 opt gold cutoff grade. Combined Inferred resources within designed pit shells contain 160,000 tons of mineralized material grading 0.041 opt gold at a 0.007 opt gold cutoff grade. The pits were designed on a gold price of \$1425 per oz. The PEA recommends two conventional open pits with a combined stripping ratio of 3.2:1 (Wheeler 2.2:1; Wilson

4.4:1). Contract mining would be employed with a goal of producing 1 million tons of leachable ore per year. Mining operations would be conducted 5 days per week, one shift per day. Crushing operations reducing the ore to 3/8-inch would be conducted 5 days per week, 2 shifts per day with 1 weekend maintenance shift. A gold recovery value of 75% is estimated if the crushed ore is agglomerated. The mine life is presently estimated at 5 years with gold production over a 4-year period ranging from approximately 23,000 to 27,000 ozs gold per year.



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**Pine Grove – Overview:** (continued)

Capital costs are estimated at approximately \$29.8 million. At \$1425 per oz gold, the project has an IRR of 23% after royalties, reclamation costs, and the Nevada net Proceeds Tax.

On September 16, 2019 Lincoln Mining Corporation (“Lincoln” or the “Company”) (TSXV: LMG) announced that following a recent review of all available data regarding the Pine Grove Gold Project (the “Property”), including in particular, the results of its most recent surface drill program, it has updated the mineral resource estimate for the Property. (See News Release of that day). The updated resource estimate will be included in the permitting process as the project advances towards production. The updated mineral resource estimate for the Wheeler and Wilson deposits comprising the Pine Grove Project totals 210,962 ounces gold from 5,888,107 tons at 0.036 ounces/ton Measured and Indicated and 1,324 ounces gold from 43,450 tons at 0.030 ounces/ton Inferred.

It is planned that a prefeasibility study will be undertaken by mid 2020, which will include the new resources that were announced on September 16, 2019.

Yearly land payments have been made to the BLM and the County to keep the property in good standing.

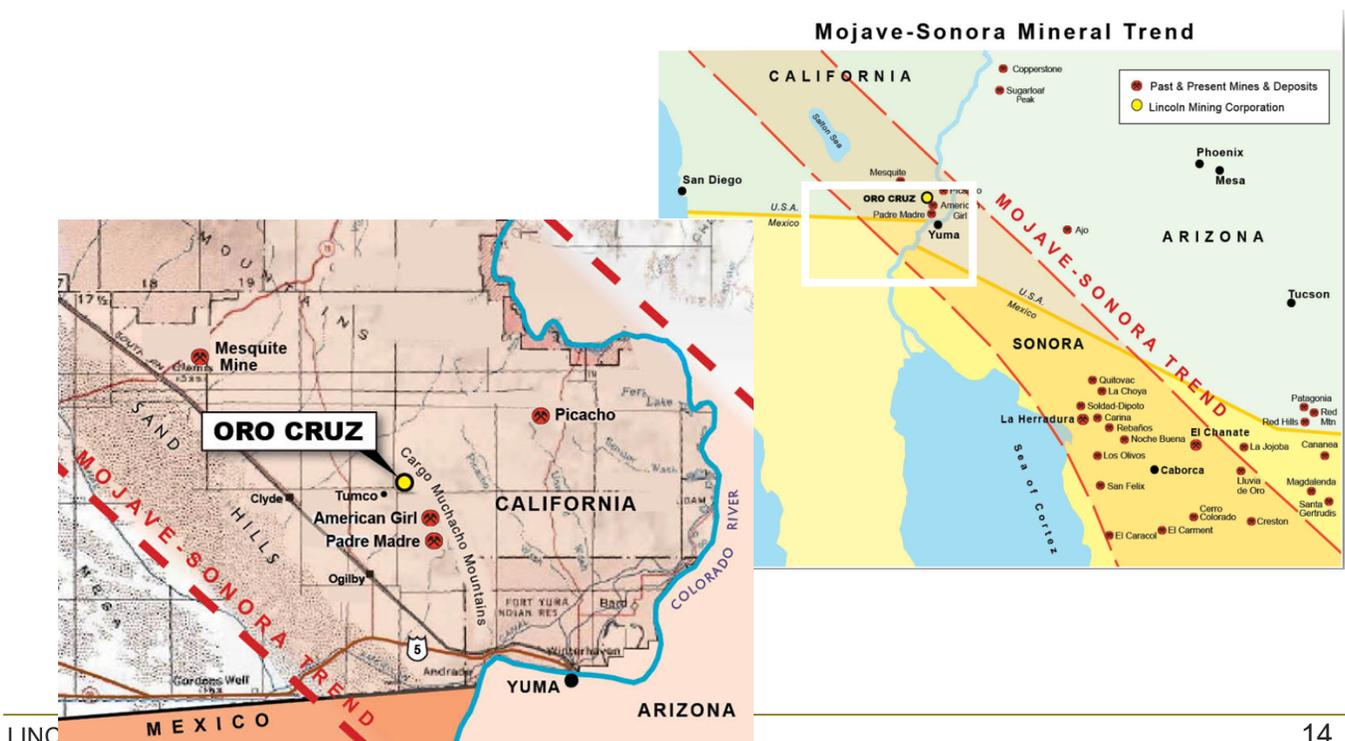
The Pine Grove project is located south of Reno, Nevada Lincoln Resource, with its joint venture partner Goldcliff Resources, controls 100% of the Pine Grove Gold Project. Historic gold production was 240,000 ozs high-grade gold from underground mining in the late 1800s and early 1900s

**Oro Cruz Gold Property, Imperial County, California**

**Oro Cruz – Overview:**

The Oro Cruz Property is located in the Tumco Mining District of southeastern California. The project is approximately 14 miles southeast from the operating Mesquite gold mine (New Gold Inc.) and adjacent to the past producing American Girl and Padre-Madre gold mines. Acquired in February 2010, Oro Cruz consists of 151 lode claims covering approximately 3,000 acres. Oro Cruz is a pre-development stage gold project.

In September 2010, Lincoln filed a NI 43-101 technical report. Oro Cruz has an Inferred resource estimate of 376,600 ozs gold, grading 0.050 opt gold at a 0.01 opt cutoff grade. The existing pit and underground decline expose gold mineralization. Previous work has identified multiple exploration targets and Lincoln has identified several satellite gold zones, which offer potential for increasing gold resources.



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**Oro Cruz – Overview:** (continued)

**Oro Cruz – History:**

The Tumco district was first discovered by the Spaniards and mined as early as 1780-81. The district is believed to have produced the first gold in California. Most recent production was by the American Girl Joint Venture whereby MK Gold Company produced 61,000 ozs gold in one year (1995-96) from open-pit and underground operations. Ore was hauled 2 miles to the southeast where it was milled and heap leached on the American Girl mine site. MK Gold ceased mining when gold prices dropped. Prior to cessation of mining, MK Gold was in the process of a pit wall push back to access additional "ore" in the pit. Gold mineralization remains exposed in the open pit and also in the underground workings.

Claim payments have been made to the BLM and County to keep the property in good standing.

**Oro Cruz – Geology & Mineralization:**

**Oro Cruz Gold Resources – September 2010 – Tetra Tech Report**

Category	Cutoff Grade (opt gold)	Short Tons	Average Grade (opt gold)	Contained Ozs Gold
Inferred	0.02	4,835,000	0.070	341,800
Inferred	0.01	7,860,000	0.050	376,600

On February 28, 2019, the Company granted to Demerara Gold Corp. "Demerara" and Bell Mountain Exploration Corp. "Bell Mountain" the right to enter into a formal Option and Joint Venture Agreement for the exploration of the Oro Cruz property. To earn a 75% interest, Demerara and Bell Mountain will have to spend approximately USD\$2.1 million in property payments, exploration and development over the next five years. As of September 30, 2019, Demerara and Bell Mountain have advanced \$252,154 (December 31, 2018 - \$33,010) to the Company. With the signing of the formal agreement below, these advances are no longer payable, will be acknowledged as applied towards exploration expenditures and have been recorded as a recovery.

**New Opportunities**

Lincoln continues to evaluate mineral properties which contain significant drilled gold resources. Evaluations are focused on deposits in the western United States. Gold properties with economic merit and good logistics will be considered for acquisition.

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**6. Liquidity and Solvency**

The following table summarizes the Company's cash on hand, working capital and cash flow:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
	<b>\$</b>	<b>\$</b>
Working capital (deficiency)	(2,817,436)	(2,765,792)
Long-term debt	120,471	88,673

	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>
	<b>\$</b>	<b>\$</b>
Cash used in operating activities	(1,083,566)	(1,184,330)
Cash used in investing activities	288,315	29,943
Cash provided by financing activities	781,393	1,202,590
Change in cash	(13,858)	48,203

On September 24, 2019, the Company consolidated its common shares on the basis of ten pre-consolidated common shares for one post-consolidated common share. The number of common shares outstanding has been retroactively adjusted in these financial statements to reflect the share consolidation. Simultaneously with the share consolidation, the Company also completed a name change to Lincoln Gold Mining Inc. from Lincoln Mining Corporation.

In March 2020, the Company entered into various settlement agreements with respect to approximately \$1,355,720 of debts. Debts of \$220,000 with related parties will be settled through the issuance of 2,200,000 common shares of the Company. The remaining debt currently due of approximately \$1,135,720 will be restructured and become payable over 3 years.

On November 18, 2019, the Company issued 1,200,000 shares to Goldcliff Canada, pursuant to the Pine Grove Property, Nevada mineral interest. See Note 5 of the unaudited interim condensed consolidated financial statements.

On October 30, 2019, the Company closed a non-brokered private placement. The Company issued a total of 6,400,000 units at a price of \$0.10 per unit for total gross proceeds of \$640,000. Each unit is comprised of one common share of the Company and one-half common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.14 per share until October 30, 2021.

On October 1, 2019, the Company entered into a formal Option and Joint Venture Agreement with Demerara Gold Corp. "Demerara" and Bell Mountain Exploration Corp. "Bell Mountain" collectively the "Optionee", granting the optionee an option to purchase up to an undivided 75% interest in the Oro Cruz Property – See Note 5. As of September 30, 2019, Demerara and Bell Mountain have advanced \$252,154 (December 31, 2018 - \$33,010) to the Company. With the signing of the formal agreement, these advances are no longer payable, will be acknowledged as applied towards exploration expenditures and have been recorded as a recovery.

On July 10, 2019 the Company issued 544,877 fully-paid common shares pursuant to the exercise of 544,877 Special Warrants. On June 9, 2017, the Company completed a debt settlement agreement (the "Settlement") with two former directors of the Company (the "Creditors") with respect to outstanding debt (including principal and interest) totaling \$4,033,795, of which \$1,298,352 was included in loans payable. Under the terms of the Settlement, the Creditors were issued an aggregate of 92,950 common shares of the Company and 1.6 million special warrants (the "Special Warrants"). Each Special Warrant may be exercised for only fully paid and nonassessable common share (a "Special Warrant Share") in the capital of the Company without payment of

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**6. Liquidity and Solvency (continued)**

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additional consideration for a period of 10 years from the date of issue (Note 8 & 9). After this transaction there are 1,055,123 special warrants left.

On January 3, 2018, the Company completed a debt settlement agreement with various creditors of the Company with respect to outstanding debt (including principal and interest) totaling \$1,046,481. Of this amount, 1,128,551 common shares were issued to settle indebtedness to certain related parties of \$959,269, 110,080 common shares were issued to settle indebtedness to creditors of \$55,040 and 64,344 common shares were issued to settle promissory notes payable of \$32,172 (Notes 8, 9 and 13). The common shares issued resulted in a gain on settlement of debts of \$525,291.

On January 26, 2018, the Company closed a non-brokered private placement. The Company issued a total of 13,421,904 units at a price of \$0.05 per unit for total gross proceeds of \$671,095. Each unit is comprised of one common share of the Company and one non-transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.08 per share until April 22, 2022. The Company paid \$6,250 in cash commissions.

On February 20, 2018, the Company closed a non-brokered private placement. The Company issued a total of 1,420,000 units at a price of \$0.05 per unit for total gross proceeds of \$71,000. Each unit is comprised of one common share of the Company and one non-transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.08 per share until April 26, 2022.

On May 30, 2018, the Company closed a non-brokered private placement. The Company issued a total of 6,000,000 units at a price of \$0.05 per unit for total gross proceeds of \$300,000. Each unit is comprised of one

common share of the Company and one non-transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.08 per share until April 26, 2022.

On August 24, 2018, the Company received \$65,180 (US\$50,000) from Dragon Hill Creation Limited. The loan is unsecured and evidenced by a promissory note bearing interest at 10% per annum, calculated and payable on the termination date of the promissory note being June 30, 2019. The Company may prepay the principal, in whole or in part, at any time without penalty.

On September 11, 2018, the Company received an additional \$65,070 (US\$50,000) from Dragon Hill Creation Limited. The loan is unsecured and evidenced by a promissory note bearing interest at 10% per annum, calculated and payable on the termination date of the promissory note being June 30, 2019. The Company may prepay the principal, in whole or in part, at any time without penalty.

On October 23, 2018, the Company received an additional US\$70,000 from Dragon Hill Creation Limited. The loan is unsecured and evidenced by a promissory note bearing interest at 10% per annum, calculated and payable on the termination date of the promissory note being June 30, 2019. The Company may prepay the principal, in whole or in part, at any time without penalty.

The Company is dependent on the sale of shares to finance its exploration activities, property acquisition payments and general and administrative costs. The Company will have to raise additional funds in the future to continue its operations. There can be no assurance, however, that the Company will be successful in its efforts. If such funds are not available or other sources of financing cannot be obtained, then the Company will be forced to curtail its activities.

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**6. Capital Resources**

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The Company's primary sources of funding are equity financing through the issuance of stock and debt financing. The Company has no operations that generate cash flows and its long term financial success is dependent on discovering properties that contain mineral reserves that are economically recoverable.

The Company exercises its best effort to seek and utilize its capital resources in an efficient manner in order to meet its business commitments including exploration and mineral property development, acquisitions and working capital.

*Capital risk management*

The Company defines its capital as shareholders' deficiency. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has interests are in the exploration stage. As such, the Company has historically relied on the equity markets to fund its activities. In addition, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will need to raise additional funds in the future until the production commences. The Company will continue to assess new properties and seek to acquire an interest in additional properties if management consider there is sufficient geologic or economic potential and the Company has adequate financial resources and support from investors. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

**7. Commitment**

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During the year ended December 31, 2015, the Company signed a new office lease effective October 1, 2015 in the amount of \$4,642 per month plus escalation for a period of three years. In April 2018, the Company extended the lease for another 3 years for similar rates.

**8. Off-Balance Sheet Arrangements**

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None.

**9. Outstanding Share Data**

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The Company's issued and outstanding common shares are 20,864,596 as at the date of this report.

The Company has no outstanding options - all options expired November 26, 2019.

The Company has a total of 3,328,590 share purchase warrants with exercise price of \$0.80 expiring on April 26, 2022; 3,200,000 share purchase warrants with exercise price of \$0.14 expiring on October 30, 2021 1,100,000 share purchase warrants with exercise price of \$0.10 expiring April 8, 2022 and 1,055,123 special warrants expiring on June 9, 2027.

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**10. Related Party Transactions**

The following transactions were carried out with related parties:

***Key management personnel – services rendered and other compensation***

Key management includes officers and directors – executive and non-executive. The compensation paid or payable to key management personnel for the services rendered during the year ended December 31, 2019 and 2018 were as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
	\$	\$
Management fees	108,000	118,000
Exploration expenses	155,202	160,669
Accounting fees	60,000	60,000
<b>Total</b>	<b>323,202</b>	<b>338,669</b>

The amounts disclosed in the table are the amounts recognized as an expense during the reporting year. The Company also reimburses key executive directors for travel and other expenses incurred in the normal course of business.

***Balance due to related parties***

	As at December 31, 2019	As at December 31, 2018
	\$	\$
Executive officers and their controlled companies	499,195	837,315
Directors	15,000	15,000
<b>Total</b>	<b>514,195</b>	<b>852,315</b>

***Balance due from related parties***

	As at December 31, 2019	As at December 31, 2018
	\$	\$
Companies with a director in common	2,625	69,357
Directors	1,799	69,357
<b>Total</b>	<b>4,424</b>	<b>69,357</b>

In March 2020, the Company entered into various settlement agreements with respect to approximately \$1,355,720 of debts. Debts of \$220,000 with related parties will be settled through the issuance of 2,200,000 common shares of the Company. The remaining debt currently due of approximately \$1,135,720 will be restructured and become payable over 3 years.

On July 10, 2019 the Company issued 544,877 fully-paid common shares pursuant to the exercise of 544,877 Special Warrants. On June 9, 2017, the Company completed a debt settlement agreement (the "Settlement") with two former directors of the Company (the "Creditors") with respect to outstanding debt (including principal and interest) totaling \$4,033,795, of which \$1,298,352 was included in loans payable. Under the terms of the Settlement, the Creditors were issued an aggregate of 92,950 common shares of the Company and 1.6 million special warrants (the "Special Warrants"). Each Special Warrant may be exercised for only fully paid and nonassessable common share (a "Special Warrant Share") in the capital of the Company without payment of additional consideration for a period of 10 years from the date of issue. After the July 10, 2019 transaction, the remaining Special Warrants outstanding was 1,055,123. [NTD: duplicated below] On January 3, 2018, the Company issued 11,285,513 common shares for settlement of debt in the amount of \$959,269.

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**10. Related Party Transactions (continued)**

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**Loans**

During the year ended December 31, 2019, the Company received \$Nil (December 31, 2018 - \$Nil), and repaid \$17,005 (December 31, 2018 - \$15,154), unsecured demand loan from the President of the Company. The remaining balance of the loan is unsecured, bearing interest at 5% per annum, calculated and payable on demand. The Company may repay the principal, in whole or in part, at any time without penalty. As at December 31, 2019, the loan payable balance to the President of the Company was \$59,795 (December 31, 2018 - \$74,336).

On February 28, 2014, the \$2,300,000 convertible debenture held by Procon Mining and Tunneling Ltd. and its affiliates (collectively, "Procon") (plus approximately \$175,000 in accrued interest), was repaid in full and discharged using funds through promissory notes maturing February 28, 2019 from companies controlled by two directors of the Company (the "Loans"). The Loans were interest bearing at a rate of 6% per annum, payable monthly commencing April 1, 2014. Concurrent with the transaction, the two directors resigned from the Company.

On June 9, 2017, the Company completed a debt settlement agreement (the "Settlement") with two former directors of the Company (the "Creditors") with respect to outstanding debt (including principal and interest) totaling \$4,033,795, of which \$1,298,352 was included in loans payable. Under the terms of the Settlement, the Creditors were issued an aggregate of 92,950 common shares of the Company and 1.6 million special warrants (the "Special Warrants"). Each Special Warrant may be exercised for only fully paid and non-assessable common share (a "Special Warrant Share") in the capital of the Company without payment of additional consideration for a period of 10 years from the date of issue. On July 10, 2019 544,877 of these special warrants were exercised and the Company issued 544,877 fully-paid common shares.

As of December 31, 2019, the Company has received advances of \$440,000 (December 31, 2018 - \$440,000) from Mr. Ronald K. Netolitzky a previous control person of the Company, and two other companies controlled by Mr. Ronald K. Netolitzky. The advances are unsecured, non-interest bearing and due on demand.

During the year ended December 31, 2015, the Company received US\$66,000 from a company that has an insider in common with Lincoln. During the year ended December 31, 2017, the existing promissory note was terminated and both parties subsequently entered into a new promissory note agreement consisting of the existing principal and interest in the aggregate amount of US\$71,000. The loan is secured by the Company's US properties and evidenced by a promissory note bearing interest at 9% per annum. Principal and accrued interest was payable upon termination of the note on September 15, 2017. On January 3, 2018, the Company issued 643,441 common shares for settlement of debt in the amount of \$32,172. At December 31, 2019, the Company was in default of this note and busy renegotiating the terms of the note.

During the year ended December 31, 2016, the Company received \$6,527 from a company with certain directors in common. The loan is unsecured, non-interest bearing and due on demand.

On August 24, 2018, September 11, 2018, October 23, 2018, January 23, 2019 March 29, 2019 and May 30, 2019, the Company received \$65,180 (US\$50,000), \$65,070 (US\$50,000), \$91,994 (US\$70,000), \$93,436 (US\$70,000), \$66,815 (US\$50,000) and \$53,344 (US\$40,000) from Dragon Hill Creation Limited, respectively, a company controlled by a director of the Company. The loans are unsecured and evidence by promissory notes bearing interest at 10% per annum, calculated and payable on the termination date of the promissory notes being September 30, 2019. The Company may prepay the principal, in whole or in part, at any time without penalty.

**Other transactions with related parties**

During the year ended December 31, 2019, the Company received \$23,300 (2018 - \$32,458) from Golden Band Resources Inc., a company with certain officers and directors in common, for office rent.

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**11. Fourth Quarter results**

The following is a discussion of the Company's fourth quarter results for the quarter ending December 31, 2019 compared to the fourth quarter for the quarter ending December 31, 2018.

	<b>Fourth quarter ending December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Exploration expenses</b>	<b>61,727</b>	<b>654,122</b>
<b>Administrative expenses</b>		
Consulting and management fees	36,120	30,940
Depreciation	11,749	812
Foreign exchange loss (gain)	82,156	83,636
Investor relations and shareholder services	25,803	6,399
Office maintenance	49,139	(4,819)
Professional fees	74,397	100,406
Travel	15,923	1,471
	<b>295,286</b>	<b>218,845</b>
<b>Finance expenses (income)</b>		
Interest income	(80)	(44)
Interest expense	13,234	7,952
	<b>13,154</b>	<b>7,908</b>
<b>Other Income</b>		
Gain on settlement of debts	-	(5,180)
Write off accounts receivable	96,598	
Write off accounts payable	(6,038)	-
Recoveries	(252,154)	-
	<b>(174,126)</b>	<b>(5,180)</b>
<b>Net income (loss) and comprehensive income (loss) for the period</b>	<b>(134,314)</b>	<b>(875,695)</b>
<b>Basic and diluted earnings (loss) per common share</b>	<b>\$ (0.01)</b>	<b>\$ (0.12)</b>
<b>Weighted average number of common shares outstanding</b>	<b>12,938,509</b>	<b>7,479,718</b>

The Company spent \$61,727 on exploration expenses during the fourth quarter of the year ending December 2019 compared to \$654,122 during the fourth quarter of the year ending December 31, 2018.

Administration expenses was \$295,286 in the fourth quarter of 2019 compared to \$218,845 in the same quarter the previous year. Office maintenance was a negative value in the prior year compared to \$ 49,139 in the current quarter of fiscal 2019.

Finance expenses show an increase as IFRS 17 was implemented during 2019 and interest charges increased.

Other income show an income of \$252,154 in the fourth quarter of 2019 as the exploration fund liability was written off in the fourth quarter ending December 31, 2019, compared to \$Nil for the fourth quarter for the year ending December 31, 2018.

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**12. Fourth Quarter results (continued)**

The basic and diluted loss per share of \$0.01 was smaller in the fourth quarter ending December 31, 2019 compared to the \$0.12 in the fourth quarter ending December 31, 2018 because the Net and Comprehensive loss was smaller in the current quarter and there were more shares issued in the fourth quarter of 2019 compared to the fourth quarter of 2018 diluting the loss per share more in the current quarter.

**13. Commitment**

During the year ended December 31, 2015, the Company signed a new office lease effective October 1, 2015 in the amount of \$4,642 per month plus escalation for a period of three years. In April 2018, the Company extended the lease for another 3 years for similar rates.

**14. Off-Balance Sheet Arrangements**

The Company have no material off balance sheet arrangements..

**15. Proposed Transactions**

There are no proposed transactions that will materially affect the performance of the Company.

**16. Accounting policies - International Financial Reporting Standards (IFRS)**

The accounting policies and methods employed by the Company determine how it reports its financial condition and results of operations, and may require management to make judgements or rely on assumptions about matters that are inherently uncertain. The Company's results of operations are reported using policies and methods in accordance with IFRS. In preparing financial statements in accordance with IFRS, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and expenses for the period.

**Changes in Accounting Standards**

IFRS 16 – Leases. The Company adopted IFRS 16 effective on January 1, 2019 using the modified retrospective approach. In accordance with the transition provisions in IFRS 16, the new rules have been adopted retrospectively with the cumulative effect of initially applying the new standard recognized on January 1, 2019. The comparatives for the 2018 reporting period have not been restated and are accounted for under IAS 17 - Leases, and IFRIC 4 - Determining Whether an Arrangement Contains a Lease, as permitted under the specific transitional provisions in the standard. The transitional adjustments arising from the adoption are recognized in the opening balance sheet on January 1, 2019. Upon adoption of IFRS 16, the Company recognized lease liabilities in relation to a lease for office space which had previously been classified as “**operating lease**” under the principles of IAS 17 – Leases under which these lease payments were recorded as expenses as they were incurred. Under IFRS 16, these liabilities were measured at the present value of the remaining lease payments as at January 1, 2019, discounted using the Company's incremental borrowing rate. The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 20%. An associated right-of-use asset for the lease was measured at the amount equal to the lease liability on January 1, 2019.

As at January 1, 2019, the Company recognized \$125,120 in right-of-use assets and lease liabilities as summarized below:

	\$
Minimum lease payments under operating leases as of December 31, 2018	159,312
Effect from discounting at the incremental borrowing rate as of January 1, 2019	(20,864)
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Lease liabilities recognized as of January 1, 2019	138,448
Right-of-use assets recognized as of January 1, 2019	138,448
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**16. Accounting policies - International Financial Reporting Standards (IFRS) (continued)**

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As a result of the adoption of IFRS 16, the Company has amended its accounting policy for leases, from that disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2018.

At inception of a contract, the Company assesses whether a 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. The Company assesses whether the contract involves the use of an identified asset, whether the Company has the right to obtain substantially all of economic benefits from use of the asset during the term of the arrangement and if the Company has the right to direct the use of the asset.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially 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 commissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in our estimated or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit on a straight-line basis over the lease term.

***Critical Accounting Estimates and Judgments***

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

***Company's title on mineral property interests***

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry practice for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

***Income taxes***

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

Management reviews its estimates and assumptions on an ongoing basis using the most current information available.

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**17. Financial Instruments**

**Categories of financial instruments**

	December 31, 2019	December 31, 2018
	\$	\$
<b>Financial assets *</b>		
<i>Loans and receivables</i>		
Cash	56,244	70,102
Other receivables	4,456	72,916
	60,700	143,018
<b>Financial liabilities</b>		
<b>Current</b>		
<i>Amortized at cost</i>		
Accounts payable and accrued liabilities	1,748,238	2,013,204
Exploration funding	-	33,010
Lease liability	95,105	-
Loans payable	59,795	74,336
Promissory notes	1,064,987	825,529
	2,968,125	2,946,079

\* Sales taxes recoverable do not represent financial instruments and are excluded from the analysis

The Company is exposed to varying degrees to a variety of financial instrument related risks:

**Fair value**

The carrying value of cash, other receivables, accounts payable and accrued liabilities, exploration funding, loans payable, and promissory notes approximated their fair value because of the relatively short-term nature of these instruments. The carrying value of lease liability approximated its fair value as it bears interest that approximates current market rates.

**Foreign exchange risk**

The Company's operations in the United States expose the Company to foreign exchange risk. The Company is subject to currency risk due to the fluctuations of exchange rates between the Canadian and US dollars. The Company does not believe it is exposed to significant foreign exchange risk. A 10% fluctuation in the foreign exchange rate between the Canadian and US dollar will result in a foreign exchange gain/loss of approximately \$153,000. The Company does not enter into derivative financial instruments to mitigate foreign exchange risk.

**Credit risk**

The Company is not exposed to material credit risk.

**Interest rate risk**

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not hold any financial liabilities with variable interest rates.

**Liquidity risk**

The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and through short-term borrowing. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

**Price risk**

The ability of the Company to explore its mineral properties and the future profitability of the Company are directly related to the market price of precious metals. The Company monitors precious metals prices to determine the appropriate course of action to be taken by the Company.

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**18. Risks and Uncertainties**

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The Company's principal activity is mineral property development and exploration. Companies in this industry are subject to many and varied kinds of risk, including but not limited to, environmental, metal prices, political, economical and now health related issues.

The mineral exploration business is risky and most exploration projects will not become mines. The Company may offer an opportunity to a mining company to acquire an interest in a property in return for funding all or part of the exploration and development of the property. For the funding property acquisitions and exploration that the Company conducts, the Company depends on the issue of shares from the treasury to investors. These stock issues depend on numerous factors including a positive mineral exploration environment, positive stock market conditions, a company's track record and the experience of management.

The Company has no significant source of operating cash flow and no revenues from operations. The Company has not yet determined whether its mineral properties contain mineral reserves that are economically recoverable. The Company has limited financial resources. Substantial expenditures are required to be made by the Company to establish reserves.

There is no guarantee that the Company will be able to contribute or obtain all necessary resources and funds for the exploration and exploitation of its permits, and may fail to meet its exploration commitments.

The properties that the Company has an option to earn interests in are in the exploration and permitting stages only, are without known bodies of commercial mineralization and have no ongoing mining operations. Mineral exploration involves a high degree of risk and few properties, that are explored, are ultimately developed into producing mines.

Exploration of the Company's mineral properties may not result in any discoveries of commercial bodies of mineralization that could be developed into operations with positive cash flows. If the Company's efforts do not result in any discovery of commercial mineralization, the Company will be forced to look for other exploration projects or cease operations.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters.

World health related issues associated with COVID-19 pandemic may impede the Company from completing the permitting process as quickly as first thought possible. At the time of writing this MDA there are numerous issues associated with this pandemic that remain unclear and how this will affect our ability to proceed with funding the Company and carry on with permitting which is ongoing.

**19. Trends**

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Trends in the industry can materially affect how well any junior exploration company is performing. There are two trends that seem to affect the well-being of junior miners. Both of these trends are very mixed these days because of the Corona virus and the uncertainty that it has brought to the world.

One is the price of commodities, which are being produced and the other is the general market condition. Over the last few years the trend in the prices of precious metals, in particular gold, has been mixed on the spot basis as well as the average trailing prices of the metals. The gold price seemed to have stabilized around \$1500 to 1600 per ounce over the few months but in the last few weeks or so the trend has been mixed downward and gold now trades in and around \$1450 TO \$1550 per ounce.

The other aspect is the general stock market conditions. Unfortunately, the junior mining sector has been under tremendous negative pressure in the market over the last few years however this condition appears to be changing and is difficult to predict as markets for junior issuers has been up and down over the last year. Significant amounts of investing have occurred in the marijuana and blockchain areas which has taken away from investment in the junior mining industry. Lincoln is committed to advance its properties to production as quickly as possible to get into a positive cash flow position.

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**20. Outlook**

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The outlook for precious metals prices appears to be mixed on the short term but depending on economic conditions world-wide and world events including the Corona Vius this could change. This relates not only to interest rate changes in the U.S. but also the COVID-19 pandemic which has altered life and financial matters around the world. Lincoln will require significant investment as it transitions into development stage projects. This needed investment may become more difficult to obtain if these world wide conditions persist. Lincoln management's objective is to become a new junior gold-silver producer in the United States, where there is no threat to mineral tenure or repatriation of mining profits.

**Cautionary Statement**

This document contains "forward-looking statements" within the meaning of applicable Canadian securities regulations. All statements other than statements of historical fact herein, including, without limitation, statements regarding exploration plans and our other future plans and objectives are forward-looking statements that involve various risks and uncertainties. Such forward-looking statements include, without limitation, (i) estimates of exploration investment and scope of exploration programs, and (ii) estimates of stock-based compensation expense. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statement. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date of statements are made, and the Company endeavours to update corporate information and material facts on a timely basis. Forward-looking statements are subject to risks, uncertainties and other actors, including risks associated with mineral exploration, price volatility in the mineral commodities we seek, and operational and political risks.