



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

**UNAUDITED CONDENSED INTERIM  
CONSOLIDATED FINANCIAL STATEMENTS**

**for the nine months ended September 30, 2019**

## Table of Contents

Notice to Reader .....	2
Condensed Interim Consolidated Statements of Financial Position .....	3
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss .....	4
Condensed Interim Consolidated Statements of Cash Flows .....	5
Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency .....	6
Notes to the Condensed Interim Consolidated Financial Statements .....	7

## Notice to Reader

Management has prepared the unaudited condensed interim consolidated financial statements for Lincoln Gold Mining Inc (formerly – Lincoln Mining Corporation) (the “**Company**”) in accordance with National Instrument 51-102 released by the Canadian Securities Administration. The Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the period ended September 30, 2019.

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

(Unaudited)

As at September 30, 2019 and December 31, 2018

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

	Notes	As at September 30, 2019	As at December 31, 2018
		\$	\$
<b>Assets</b>			
Current assets			
Cash		166,688	70,102
Receivables	10	111,268	81,625
Prepaid expenses		48,055	28,560
		326,011	180,287
Non-current assets			
Equipment		271	2,709
Right-of-use asset	4	91,190	-
Deposits		14,104	14,160
Mineral properties	5	-	69,171
		105,565	86,040
<b>Total assets</b>		<b>431,576</b>	<b>266,327</b>
<b>Liabilities and shareholders' deficiency</b>			
Current liabilities			
Accounts payable and accrued liabilities	10	1,773,396	2,013,204
Exploration funding	5	252,154	33,010
Lease liability – short term	7	58,716	-
Loans payable	8	66,804	74,336
Promissory notes	9	1,062,756	825,529
		3,213,826	2,946,079
Non-current liabilities			
Lease liability – long term		26,125	-
Provision for environmental rehabilitation	6	86,080	88,673
		112,205	88,673
<b>Total liabilities</b>		<b>3,326,031</b>	<b>3,034,752</b>
<b>Shareholders' deficiency</b>			
Share capital	11	23,399,098	23,399,098
Subscriptions received in advance	11	330,070	-
Capital reserves	11	2,877,687	2,877,687
Deficit		(29,501,310)	(29,045,210)
<b>Total shareholders' deficiency</b>		<b>(2,894,455)</b>	<b>(2,768,425)</b>
<b>Total liabilities and shareholders' deficiency</b>		<b>431,576</b>	<b>266,327</b>

Nature of operations (Note 1)

Commitment (Note 14)

Subsequent events (Note 16)

Approved and authorized by the Board on November 28, 2019.

"Paul Saxton"

Director

Paul Saxton

"Andrew Milligan"

Director

Andrew Milligan

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

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

(Unaudited)

For the nine months ended September 30, 2019 and 2018

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

	Notes	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
<b>Exploration expenses</b>	5, 10	<b>164,531</b>	<b>144,427</b>	<b>294,079</b>	<b>493,390</b>
<b>Administrative expenses</b>					
Consulting and management fees	10	33,160	31,440	97,200	107,740
Depreciation	4	12,289	813	36,368	2,538
Foreign exchange loss (gain)		(131,593)	(15,663)	(150,551)	37,460
Investor relations and shareholder services		10,858	32,321	34,514	138,666
Office maintenance		12,841	22,934	20,814	52,120
Professional fees	10	39,017	20,505	89,812	100,827
Travel		5,462	12,002	8,790	45,422
		<b>(17,966)</b>	<b>104,352</b>	<b>136,947</b>	<b>484,773</b>
<b>Finance expenses (income)</b>					
Interest expense	9	15,278	3,917	37,606	9,720
Write-off of accounts payable		-	-	(12,532)	-
		<b>15,278</b>	<b>3,917</b>	<b>25,074</b>	<b>9,720</b>
<b>Other Income</b>					
Gain on settlement of debts	8, 9	-	-	-	(525,291)
		-	-	-	<b>(525,291)</b>
<b>Net income (loss) and comprehensive income (loss) for the period</b>		<b>(161,843)</b>	<b>(252,696)</b>	<b>(456,100)</b>	<b>(462,592)</b>
<b>Basic and diluted earnings (loss) per common share</b>		<b>\$ (0.02)</b>	<b>\$ (0.03)</b>	<b>\$ (0.06)</b>	<b>\$ (0.7)</b>
<b>Weighted average number of common shares outstanding</b>		<b>8,005,370</b>	<b>7,479,718</b>	<b>7,683,381</b>	<b>6,981,374</b>

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

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

*(Unaudited)*

*For the nine months ended September 30, 2019 and 2018*

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

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
	\$	\$
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>		
<b>Net income (loss) for the period</b>	<b>(456,100)</b>	<b>(462,592)</b>
Items not affecting cash:		
Accrued interest expense	39,206	9,720
Depreciation	36,368	2,538
Unrealized foreign exchange	(13,458)	3,976
Gain on settlement of debts	-	(525,291)
Changes in non-cash working capital items:		
Decrease in accounts payable and accrued liabilities	(239,808)	(123,423)
Decrease in prepaid expenses and deposits	(19,495)	101,687
Decrease (Increase) in receivables	(29,643)	(13,157)
<b>Net cash used in operating activities</b>	<b>(682,930)</b>	<b>(1,006,542)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of mineral properties	(63,089)	(64,493)
Recoveries of mineral properties	132,260	-
Exploration funding	219,144	-
<b>Net cash provided by investing activities</b>	<b>288,315</b>	<b>(64,493)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Shares issued for cash, net	-	997,750
Share subscriptions received in advance	330,070	-
Promissory notes issued for cash	213,595	130,250
Loans paid	(9,449)	(11,143)
Payment for lease liability	(43,015)	-
<b>Net cash provided by financing activities</b>	<b>491,201</b>	<b>1,116,857</b>
<b>Net change in cash for the period</b>	<b>96,586</b>	<b>45,822</b>
<b>Cash, beginning of the period</b>	<b>70,102</b>	<b>21,899</b>
<b>Cash, end of the period</b>	<b>166,688</b>	<b>67,721</b>

Supplemental cash flow information (Note 13)

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

(Unaudited)

For the nine months ended September 30, 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	2,084,190	759,477	182,618	(38,095)	-	1,004,000
Debt settlement agreements	1,302,976	521,190	-	-	-	521,190
Share issue costs	-	(6,250)	-	-	-	(6,250)
Net income for the period	-	-	-	-	(462,592)	(462,592)
<b>Balance at September 30, 2018</b>	<b>7,479,718</b>	<b>23,393,348</b>	<b>2,870,867</b>	<b>-</b>	<b>(28,169,515)</b>	<b>(1,905,300)</b>
<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	-	-	-	-	-
Share subscriptions received in advance	-	-	-	330,070	-	330,070
Net loss for the period	-	-	-	-	(456,100)	(456,100)
<b>Balance at September 30, 2019</b>	<b>8,064,596</b>	<b>23,399,098</b>	<b>2,877,687</b>	<b>330,070</b>	<b>(29,501,310)</b>	<b>(2,894,455)</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.

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

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

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

(Unaudited)

For the nine months ended September 30, 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 condensed interim consolidated financial statements of the Company for the nine months ended September 30, 2019 comprise the Company and its subsidiaries (Note 2(b)). These condensed interim 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 condensed interim consolidated financial statements for the nine months ended September 30, 2019 have been prepared in accordance with IAS 34 - Interim Financial Reporting of 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 condensed interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company’s annual consolidated financial statements as at and for the year ended December 31, 2018.

The accounting policies followed in these condensed interim consolidated financial statements are consistent with those applied in the Company’s most recent annual consolidated financial statements for the year ended December 31, 2018.

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on November 28, 2019.

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

#### **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; therefore, the Company has incurred ongoing losses since inception. Further, the Company has a working capital deficiency of \$2,887,815 (2018 - \$2,765,792) and total liabilities of \$3,213,826 (2018 - \$2,946,079). 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.

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

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 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 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	161,809
Effect from discounting at the incremental borrowing rate as of January 1, 2019	(36,689)
Lease liabilities recognized as of January 1, 2019	125,120
Right-of-use assets recognized as of January 1, 2019	125,120

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 Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 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 condensed interim 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) Comparative figures

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

## 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.

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

### Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2019

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

### 3 Critical accounting estimates and judgements (Cont'd)

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.

#### **Special warrants issued in debt settlement**

The fair value of the special warrants issued is measured using the Black-Scholes model, taking into account the terms and conditions upon which the special warrants are granted. Changes in assumptions concerning volatilities, interest rates and expected life could have significant impact on the fair valuation attributed to the special warrants.

### 4 Right-of-use asset

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

Balance at January 1, 2019 (Note 2)	\$ 125,120
Depreciation	(33,930)
<b>Balance at September 30, 2019</b>	<b>91,190</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	-	63,089	63,089
Recoveries	-	(132,260)	(132,260)
<b>Balance at September 30, 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>

Exploration expenditures (recoveries) incurred during the nine months ended September 30, 2019:

	United States		Total
	Pine Grove	Oro Cruz	
	\$	\$	\$
Contractors	82,304	112,311	194,615
General administration	79,595	1,392	80,987
Geochemistry	-	947	947
Land maintenance	1,232	119,714	120,946
Permitting environment	2,301	-	2,301
Property evaluation	(9,969)	3,595	(6,374)
Travel and accommodation	217	7,154	7,371
Recovery from a joint venture partner	(33,496)	(73,218)	(106,714)
<b>Total mineral property expenditures</b>	<b>122,184</b>	<b>171,895</b>	<b>294,079</b>

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

### Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2019

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

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

Exploration expenditures (recoveries) incurred during the nine months ended September 30, 2018:

	United States		Other Properties	Total
	Pine Grove	Oro Cruz		
	\$	\$	\$	\$
Contractors	222,869	-	6,589	229,458
Drilling and metallurgical	5,039	-	-	5,039
Field supplies	477	-	-	477
General administration	75,104	-	-	75,104
Geochemistry	1,220	-	-	1,220
Land maintenance	1,011	30,450	-	31,461
Permitting environment	120,443	-	-	120,443
Property evaluation	48,812	-	-	48,812
Travel and accommodation	1511	467	-	1,978
Recovery from a joint venture partner	(20,602)	-	-	(20,602)
<b>Total mineral property expenditures</b>	<b>455,884</b>	<b>30,917</b>	<b>6,589</b>	<b>493,390</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 7-11 paid by Goldcliff Resource Corporation ("Goldcliff")).

- (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

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

### Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2019

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

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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 Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2019

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

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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) The Company consolidates its Pine Grove Gold project.

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, subject to TSX-Venture approval, 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;
- Cash of US \$50,000 to be paid on or before March 31, 2020;
- 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 see Note 16;
- Shares, 800,000 shares to be issued on December 31, 2019;
- 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.

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

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

### Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2019

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

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#### **(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 has 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 Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2019

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

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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 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 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. These funds will become immediately due and payable to Demerara if the Option and Joint Venture Agreement is not entered into. Upon execution of the Option and Joint Venture Agreement, funds advanced will be credited towards the exploration commitments under the agreement – See next paragraph.

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;
- 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.

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

### Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2019

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

#### 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;
- 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 01, 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:

	September 30, 2019	December 31, 2018
Beginning balance	\$ 88,673	\$ 81,543
Changes in exchange rates	(2,593)	7,130
<b>Closing balance</b>	<b>86,080</b>	<b>88,673</b>

During the nine months ended September 30, 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 Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 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)	125,120
Interest expense	2,736
Lease payments	(43,015)
Balance at September 30, 2019	84,841
Current portion of lease liability	(58,716)
<b>Long-term portion of lease liability</b>	<b>26,125</b>

#### 8 Loans payable

The following loans were provided by directors, former directors, insiders and others to the Company to support its working capital requirements.

	<b>Nine months ended September 30, 2019</b>	<b>Year ended December 31, 2018</b>
	<b>\$</b>	<b>\$</b>
Opening balance	74,336	86,305
Loans repaid during the period	(9,449)	(15,154)
Interest accrued during the period	1,917	3,185
<b>Closing balance</b>	<b>66,804</b>	<b>74,336</b>

During the nine months ended September 30, 2019, the Company received \$Nil (December 31, 2018 - \$Nil), and repaid \$9,449 (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 September 30, 2019, the loan payable balance to the President of the Company is \$66,804 (December 31, 2018 - \$74,336).

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 (Note 9 & 11).

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

### Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2019

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

#### 9 Promissory notes

	Nine months ended September 30, 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	34,553	14,487
Settlement of promissory notes	-	(32,172)
Foreign exchange	(10,921)	16,160
<b>Closing balance</b>	<b>1,062,756</b>	<b>825,529</b>

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 \$2,735,443 was included in promissory notes 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 (Note 8 & 11).

As of September 30, 2019, the Company has received advances of \$440,000 (December 31, 2018 - \$440,000) from Mr. Ronald K. Netolitzky, a 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 (Note 8). The Company is currently 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 evidenced 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. Currently under re-negotiation.

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

### Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 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 nine months ended September 30, 2019 and 2018 were as follows:

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
	\$	\$
Management fees	81,000	92,500
Exploration expenses	111,930	108,082
Accounting fees	45,000	45,000
<b>Total</b>	<b>237,930</b>	<b>245,582</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 September 30, 2019	As at December 31, 2018
	\$	\$
Executive officers and their controlled companies	1,016,676	837,315
Directors	15,000	15,000
<b>Total</b>	<b>1,031,676</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 September 30, 2019	As at December 31, 2018
	\$	\$
Companies with a director in common	-	69,357
<b>Total</b>	<b>Nil</b>	<b>69,357</b>

The balances due from related parties are included in receivables.

##### **Loans from related parties**

See Notes 8 and 9 for further details.

##### **Other transactions with related parties**

During the nine months ended September 30, 2019, the Company received \$18,000 (2018 - \$17,010) from Golden Band Resources Inc., a company with certain officers and directors in common, for office rent.

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

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

### Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2019

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

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## 11 Share capital and reserves

### a) Authorized share capital

As at September 30, 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 September 30, 2019 there were 8,064,596 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 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.

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 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 (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 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. 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.

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

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2019

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

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

#### 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
<b>Balance as at December 31, 2018 and September 30, 2019</b>	<b>1,227,184</b>	<b>1,435,117</b>	<b>215,386</b>	<b>2,877,687</b>

#### c) Stock options

As at September 30, 2019, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

Number of Shares	Exercise Price	Expiry Date
168,900	1.50	November 26, 2019
<b>168,900</b>		

Stock option transactions for the nine months ended September 30, 2019 and year ended December 31, 2018 are summarized as follows:

	Nine months ended September 30, 2019		Year ended December 31, 2018	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
		\$		\$
Balance, beginning of period	180,900	1.50	180,900	1.50
Expired	(12,000)	1.50	-	-
Balance, end of period	168,900	1.50	180,900	1.50
Options exercisable, end of period	168,900	1.50	180,900	1.50

#### d) Warrants

As at September 30, 2019, the Company had share purchase warrants, enabling the holders to acquire further common shares as follows:

Number of Shares	Exercise Price	Expiry Date
3,328,590	\$0.80	April 26, 2022
<b>3,328,590</b>		

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

### Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2019

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

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

##### d) Warrants (Cont'd)

Warrants transactions for the nine months ended September 30, 2019 and year ended December 31, 2018 are summarized as follows:

	Nine months ended September 30, 2019		Year ended December 31, 2018	
	Number of Warrants	Weighted average exercise price	Number of Warrants	Weighted average exercise price
		\$		\$
Balance, beginning of period	3,660,290	0.80	1,689,350	0.90
Issued	-	-	2,124,190	0.80
Expired	331,700	1.00	(153,250)	1.00
Balance, end of period	3,328,590	0.80	3,660,290	0.88

##### e) Special warrants

As at September 30, 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
1,600,000	\$Nil	June 9, 2027
<b>1,600,000</b>		

Pursuant to the Settlement (Note 8), 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. (See subsequent event - Note 16)

##### f) Share subscriptions received in advance

During the nine-month period ended September 30, 2019, the Company received \$330,000 related to a private placement that closed on October 30, 2019. See Note 16

#### 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

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

### Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2019

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

## 12 Financial instruments (Cont'd)

### Capital risk management (cont'd)

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

	September 30, 2019	December 31, 2018
	\$	\$
<b>Financial assets *</b>		
<i>Loans and receivables</i>		
Cash	166,688	70,102
Other receivables	93,518	72,916
	260,206	143,018
<b>Financial liabilities</b>		
<b>Current</b>		
<i>Amortized at cost</i>		
Accounts payable and accrued liabilities	1,773,396	2,013,204
Exploration funding	252,154	33,010
Lease liability	58,716	-
Loans payable	66,804	74,336
Promissory notes	1,062,756	825,529
	3,213,826	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 \$150,000. 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.

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

### Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2019

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

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## 12 Financial instruments (Cont'd)

### 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

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
	\$	\$
Cash paid for interest	-	-
Cash paid for income taxes	-	-

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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 June 30, 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.

## 14 Commitment

In addition to commitments disclosed elsewhere in the consolidated financial statements, pursuant to a premises lease, the Company's future lease commitment as at September 30, 2019 is as follows:

	\$
2019	14,679
2020	59,056
2021	45,058
	<u>118,793</u>

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

### Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2019

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

#### 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.

	<b>Non-current assets</b>
	<b>\$</b>
<b>December 31, 2018</b>	
United States of America	73,790
Canada	12,250
	<b>86,040</b>
<b>September 30, 2019</b>	
United States of America	1,854
Canada	103,711
	<b>105,565</b>

#### 16 Subsequent events

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. Upon execution of the Option and Joint Venture Agreement, funds advanced will be credited towards the exploration commitments under the agreement. – Completed See Note 5 (b).

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 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.

On November 26, 2019 168,900 Options exercisable at \$1.50, expired unexercised.

Subsequent to the end of the quarter the Company announced a brokered Private Placement lead 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.