



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

**UNAUDITED CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS**

for the nine months ended September 30, 2020

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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 interim financial statements for the nine-month period ended September 30, 2020.

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

(Unaudited)

As at September 30, 2020 and December 31, 2019

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

	Notes	September 30, 2020 \$	December 31, 2019 \$
Assets			
Current assets			
Cash		35,227	56,244
Receivables	11	15,372	28,915
Prepaid expenses		6,089	29,476
		56,688	114,635
Non-current assets			
Equipment		4,048	-
Right-of-use asset	4	50,345	88,103
Deposits		14,117	14,068
Mineral properties	5	455,005	156,000
		523,515	258,171
Total assets		580,203	372,806
Liabilities and shareholders' deficiency			
Current liabilities			
Accounts payable and accrued liabilities	6	184,329	1,234,038
Due to related parties	11	407,176	514,195
Lease liability	8	56,946	59,056
Loans payable	9	13,462	59,795
Promissory notes	10	607,404	1,064,987
		1,269,317	2,932,071
Non-current liabilities			
Accounts payable and accrued liabilities	6	361,979	-
Due to related parties	11	751,482	-
Lease liability	8	-	36,049
Loans payable	9	40,000	-
Provision for environmental rehabilitation	7	86,704	84,422
		1,240,165	120,471
Total liabilities		2,509,482	3,052,542
Shareholders' deficiency			
Share capital	12	25,818,440	24,163,791
Capital reserves	12	2,792,603	2,908,994
Deficit		(30,540,322)	(29,752,521)
Total shareholders' deficiency		(1,929,279)	(2,679,736)
Total liabilities and shareholders' deficiency		580,203	372,806

Nature of operations (Note 1)

Subsequent event (Note 16)

Approved and authorized by the Board on November 26, 2020.

<u>"Paul Saxton"</u>	Director	<u>"Andrew Milligan"</u>	Director
Paul Saxton		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 three and nine months ended September 30, 2020 and 2019

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

	Notes	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Exploration expenses	5, 11	\$ 80,862	\$ 164,531	\$ 278,486	\$ 294,079
Administrative expenses					
Consulting and management fees	11	64,350	33,160	150,790	97,200
Depreciation		12,716	12,289	37,888	36,368
Foreign exchange (gain) loss		(30,801)	(131,593)	46,890	(150,551)
Investor relations and shareholder services		19,233	10,858	53,634	34,514
Office maintenance		26,612	12,841	90,233	20,814
Professional fees	11	17,653	39,017	78,765	89,812
Share-based compensation	11	483,683	-	483,683	-
Travel		-	5,462	5,042	8,790
		593,446	(17,966)	946,925	136,947
Finance expenses (income)					
Interest expense		14,443	15,278	57,890	37,606
Gain on settlement of debts	10, 12	-	-	(495,000)	-
Write-off of accounts payable		-	-	(500)	(12,532)
		14,443	15,278	(437,610)	25,074
Loss and comprehensive loss for the period		\$ (688,751)	\$ (161,843)	\$ (787,801)	\$ (456,100)
Basic and diluted loss per common share		\$ (0.03)	\$ (0.02)	\$ (0.04)	\$ (0.06)
Weighted average number of common shares outstanding		23,956,166	8,005,370	20,238,408	7,683,381

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, 2020 and 2019

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

	2020	2019
	\$	\$
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss for the period	(787,801)	(456,100)
Items not affecting cash:		
Accrued interest expense	45,407	39,206
Depreciation	37,888	36,368
Gain on settlement of debts	(495,000)	-
Share-based compensation	483,683	-
Unrealized foreign exchange	9,593	(13,458)
Write-off of accounts payable	(500)	(12,532)
Changes in non-cash working capital items:		
Decrease in accounts payable and accrued liabilities	(530,230)	(406,637)
Increase in due to related parties	644,463	179,361
Decrease (increase) in prepaid expenses and deposits	23,338	(19,495)
Decrease (increase) in receivables	13,543	(29,643)
Net cash used in operating activities	(555,616)	(682,930)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of mineral properties	(99,005)	(63,089)
Purchase of equipment	(4,178)	-
Recoveries of mineral properties	-	132,260
Exploration funding	-	219,144
Net cash (used in) provided by investing activities	(103,183)	288,315
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued for cash	699,200	-
Share issue costs	(9,625)	-
Share subscriptions received in advance	-	330,070
Promissory notes issued for cash	-	213,595
Loans paid	(7,756)	(9,449)
Payment for lease liability	(44,037)	(43,015)
Net cash provided by financing activities	637,782	491,201
Net change in cash for the period	(21,017)	96,586
Cash, beginning of the period	56,244	70,102
Cash, end of the period	35,227	166,688

Supplemental cash flow information (Note 14)

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, 2020 and 2019

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

	Number of shares	Share capital \$	Capital reserves \$	Share subscriptions received in advance \$	Deficit \$	Total \$
Balance at December 31, 2018	7,519,719	23,399,098	2,877,687	-	(29,045,210)	(2,768,425)
Special warrants exercised	544,877	-	-	-	-	-
Share subscriptions received in advance	-	-	-	330,070	-	330,070
Loss for the period	-	-	-	-	(456,100)	(456,100)
Balance at September 30, 2019	8,064,596	23,399,098	2,877,687	330,070	(29,501,310)	(2,894,455)
Balance at December 31, 2019	15,664,596	24,163,791	2,908,994	-	(29,752,521)	(2,679,736)
Private placement	7,056,363	666,200	33,000	-	-	699,200
Share issue costs	-	(9,625)	-	-	-	(9,625)
Shares issued for debt	2,200,000	165,000	-	-	-	165,000
Shares issued for mineral interests	1,300,000	200,000	-	-	-	200,000
Special warrants exercised	1,055,123	633,074	(633,074)	-	-	-
Share-based compensation	-	-	483,683	-	-	483,683
Loss for the period	-	-	-	-	(787,801)	(787,801)
Balance at September 30, 2020	27,276,082	25,818,440	2,792,603	-	(30,540,322)	(1,929,279)

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, 2020 and 2019

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

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, 2020 comprise of 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 (“ZMG2”).

2 Basis of Presentation

(a) Basis of preparation

The condensed interim consolidated financial statements for the nine months ended September 30, 2020 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, 2019.

The condensed interim 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 November 26, 2020.

Going concern assumption

These unaudited condensed interim 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 \$1,212,629 (December 31, 2019 - \$2,817,436) and total liabilities of \$2,509,482 (December 31, 2019 - \$3,052,542). 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 the coronavirus a global pandemic. This contagious disease outbreak and related adverse public health developments, which has continued to spread, 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 Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2020 and 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 Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2020 and 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 Corp.	United States of America	100%	Mineral exploration
Lincoln Resource Group Corp.	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, 2020 and 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.

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)
Balance at December 31, 2019	88,103
Depreciation	(37,758)
Balance at September 30, 2020	50,345

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, 2018	-	69,171	69,171
Additions	156,000	63,089	219,089
Recoveries	-	(132,260)	(132,260)
Balance at December 31, 2019	156,000	-	156,000
Additions	299,005	-	299,005
Balance at September 30, 2020	455,005	-	455,005

Exploration expenditures (recoveries) incurred during the nine months ended September 30, 2020:

	United States		Total
	Pine Grove	Oro Cruz	
	\$	\$	\$
Contractors	127,611	53,539	181,150
General administration	18,502	58	18,560
Land maintenance	60,780	8,893	69,673
Legal	1,752	-	1,752
Permitting environment	157,073	73,474	230,547
Property evaluation	(41,977)	-	(41,977)
Option payment received	-	(33,853)	(33,853)
Recovery from a joint venture partner	-	(147,366)	(147,366)
Total mineral property expenditures	323,741	(45,255)	278,486

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

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2020 and 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, 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)
Total mineral property expenditures	122,184	171,895	294,079

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.

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

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2020 and 2019

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

5 Mineral properties (Cont'd)

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

- (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”).

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. The Agreement was terminated in 2019 and Placer has completed some reclamation on work at the property.

- (iv) In August 2016, the Company entered into an agreement with Goldcliff Resource Corporation (“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.

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

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2020 and 2019

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

5 Mineral properties (Cont'd)

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

- (v) On October 8, 2019, the Company and Goldcliff entered into a Purchase Option Letter agreement to re-acquire from Goldcliff 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 (paid);
- Cash of US\$50,000 to be paid on or before March 31, 2020 (US\$25,000 paid);
- Cash of US\$50,000 to be paid on or before June 30, 2020 (not paid); and
- 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 with a fair value of \$80,000); and
- Shares, 750,000 shares to be issued on March 31, 2020 (issued 500,000 shares with a fair value of \$120,000).

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.

(b) Oro Cruz Property, California

In February 2010, the Company's 100% owned U.S. subsidiary, Lincoln Gold US Corp. (“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.

On May 9, 2017, the Company entered into a letter agreement, through its subsidiary, 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 Country, California (“JV Option”). As consideration for granting the JV Option, Ausgold has paid Lincoln US \$7,500 and committed to purchasing US-\$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, because Ausgold did not satisfy its obligations under the option agreement. Lincoln retains the property in good standing and proceeded to reacquire an option on the Hercules claims.

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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) ("ADGIS Agreement"). 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" – a subsidiary of Eros Resources Corp.) 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. 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 and Bell Mountain, collectively the "Optionee", granting the optionee an option to purchase up to an undivided 75% interest in the Oro Cruz Property, (see "Owl" below).

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, Inc.:

- 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.

On March 18, 2020, Owl Capital Corp. (“Owl”) closed its previously announced Qualifying Transaction with Eros Resources Corp. (“Eros”) and Demerara whereby Owl acquired Demerara and Eros and thereby acquired an exclusive option to acquire a 75% interest in the Oro Cruz Gold Project in California. Southern Empire Resources Corp. (formerly Owl Capital Corp.) was incorporated pursuant to the Business Corporations Act of British Columbia on September 27, 2017. As a result of closing the Qualifying Transaction, the company changed its name to Southern Empire Resources Corp. and was listed as a Tier 2 mining issuer on the TSX Venture Exchange under the symbol “SMP” and commenced trading on the TSX Venture Exchange on March 24, 2020.

On May 20, 2020, the Company entered into a sale and purchase agreement to assign a 25% interest in and to the ADGIS Agreement and an undivided 25% interest in and to the Oro Cruz Property (Notes 10 and 14) in full and final settlement of the total advances of \$440,000 from Mr. Ronald K. Netolitzky and two other companies controlled by Mr. Ronald K. Netolitzky.

6 Accounts payable and accrued liabilities

	September 30, 2020	December 31, 2019
	\$	\$
Accounts payable	531,308	1,214,038
Accrued liabilities	15,000	20,000
Closing balance	546,308	1,234,038
Current portion of accounts payable and accrued liabilities	(184,329)	(1,234,038)
Long-term portion of accounts payable and accrued liabilities	361,979	-

On February 25, 2020, the Company negotiated a debt reorganization with certain creditors to defer repayment of accounts payable and accrued liabilities in the total amount of \$351,649, consisting of US\$117,000 and €136,000, for a period of up to three years from the date of the debt settlement agreement with each respective party.

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6 Accounts payable and accrued liabilities (Cont'd)

Repayment is due on the following terms:

First anniversary of debt settlement agreement	\$6,670 (US\$5,000)
Second anniversary of debt settlement agreement	\$28,012 (US\$21,000)
Third anniversary of debt settlement agreement	\$121,385 (US\$91,000)
	\$212,582 (€136,000)

7 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, 2020	December 31, 2019
Beginning balance	\$ 84,422	\$ 88,673
Changes in exchange rates	2,282	(4,251)
Closing balance	86,704	84,422

During the nine months ended September 30, 2020 and during the year ended December 31, 2019, the finance costs in relation to the accretion of the provision are negligible.

8 Lease liability

	Total
Balance at January 1, 2019 (Note 2)	\$ 138,448
Interest expense	11,854
Lease payments	(55,197)
Balance at December 31, 2019	95,105
Interest expense	5,878
Lease payments	(44,037)
Balance at September 30, 2020	56,946
Current portion of lease liability	(56,946)
Long-term portion of lease liability	-

The Company's future lease commitment as at September 30, 2020 is as follows:

	\$
2020	15,019
2021	45,058
	60,077

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9 Loans payable

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

	Nine months ended September 30, 2020	Year ended December 31, 2019
	\$	\$
Opening balance	59,795	74,336
Loans repaid during the period	(7,756)	(17,005)
Interest accrued during the period	1,423	2,464
Closing balance	53,462	59,795
Current portion of loans payable	(13,462)	(59,795)
Long-term portion of loans payable	40,000	-

During the nine months ended September 30, 2020, the Company received \$Nil (2019 - \$Nil), and repaid \$7,756 (2019 - \$9,449), 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, 2020, the loan payable balance to the President of the Company is \$53,462 (December 31, 2019 - \$59,795).

On February 25, 2020, the Company negotiated a debt reorganization with respect to this unsecured demand loan to defer repayment in the amount of \$60,000 for a period of up to three years from the date of the debt settlement agreement. Repayment of \$20,000 is due on the one year anniversary of the debt settlement agreement, \$10,000 is due on the second year anniversary of the debt settlement agreement and \$30,000 is due on the third anniversary of the debt settlement agreement.

10 Promissory notes

	Nine months ended September 30, 2020	Year ended December 31, 2019
	\$	\$
Opening balance	1,064,987	825,529
Promissory notes provided during the period	-	213,595
Interest accrued during the period	38,106	46,013
Settlement of promissory notes	(503,000)	-
Foreign exchange	7,311	(20,150)
Closing balance	607,404	1,064,987

As of September 30, 2020, the Company has received advances of \$440,000 (December 31, 2019 - \$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. On May 20, 2020, the Company entered into a sale and purchase agreement to assign a 25% interest in and to the ADGIS Agreement and an undivided 25% interest in and to the Oro Cruz Property (Notes 5 and 14) in full and final settlement of the total advances of \$440,000. The Company recognized a gain on settlement of debts of \$440,000 related to this sale and purchase agreement during the nine months ended September 30, 2020.

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. On March 9, 2020, the Company issued 630,000 common shares for settlement of debt in the amount of \$63,000 consisting of principal balance of \$50,000 and interest of \$13,000 (Notes 12 and 14).

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10 Promissory notes (Cont'd)

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 evidence 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.

11 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, 2020 and 2019 were as follows:

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
	\$	\$
Management fees	81,000	81,000
Corporate fees	15,000	-
Exploration expenses	109,213	111,930
Accounting fees	29,000	45,000
Share-based compensation	315,180	-
Total	549,393	237,930

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.

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11 Related party transactions (Cont'd)

Balance due to related parties

	As at September 30, 2020	As at December 31, 2019
	\$	\$
Executive officers and their controlled companies	1,143,658	499,195
Directors	15,000	15,000
Total	1,158,658	514,195
Current portion of balance due to related parties	(407,176)	(514,195)
Long-term portion of balance due to related parties	751,482	-

On February 25, 2020, the Company negotiated a debt reorganization with certain related parties to defer repayment in the total amount of \$774,884, consisting of \$407,000 and US\$277,000, for a period of up to three years from the date of the debt settlement agreement with each respective party. Repayment is due on the following terms:

First anniversary of debt settlement agreement	\$5,000 payable to the former CFO \$20,009 (US\$15,000) payable to VP of Exploration
Second anniversary of debt settlement agreement	\$35,000 payable to the President \$5,000 payable to the former CFO \$56,024 (US\$42,000) payable to VP of Exploration
Third anniversary of debt settlement agreement	\$362,000 payable to the President \$293,458 (US\$220,000) payable to VP of Exploration

Balance due from related parties

	As at September 30, 2020	As at December 31, 2019
	\$	\$
Companies with a director in common	5,105	2,625
Directors	-	1,799
Total	5,105	4,424

The balances due from related parties are included in receivables.

Loans from related parties

See Notes 9, 10 and 12 for further details.

Other transactions with related parties

During the nine months ended September 30, 2020, the Company received \$11,140 (2019 - \$18,000) from Golden Band Resources Inc., a company with certain officers and directors in common and Goldcliff, for office rent.

Goldcliff is a public company with a common director of the Company – See Note 5.

On March 9, 2020, the Company issued 1,570,000 common shares to settle indebtedness to certain related parties of \$157,000 (Note 12).

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12 Share capital and reserves

a) Authorized share capital

As at September 30, 2020 and 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 September 30, 2020 there were 27,276,082 (December 31, 2019 - 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 unaudited condensed interim consolidated 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 August 28, 2020, the Company issued 500,000 shares at a value of \$120,000 to Goldcliff, pursuant to the Pine Grove Property, Nevada mineral interest (Note 5).

On August 28, 2020, the Company issued 1,055,123 fully paid common shares pursuant to the exercise of 1,055,123 special warrants. On exercise, \$633,074 was allocated from capital reserves to share capital.

On August 13, 2020, the Company closed a non-brokered private placement. The Company issued a total of 4,856,363 units at a price of \$0.11 per unit for total gross proceeds of \$534,200. 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 \$0.15 per share until August 13, 2022.

On April 17, 2020, the Company issued 800,000 shares at a value of \$80,000 to Goldcliff, pursuant to the Pine Grove Property, Nevada mineral interest (Note 5).

On April 8, 2020, the Company closed a non-brokered private placement. The Company issued a total of 2,200,000 units at a price of \$0.075 per unit for total gross proceeds of \$165,000. 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 \$0.10 per share until April 8, 2022. An amount of \$33,000 was allocated to reserves in connection with the residual value of warrants issued.

On March 9, 2020, the Company completed a debt settlement agreement with various creditors of the Company with respect to outstanding debt (including principal and interest) totaling \$220,000. Of this amount, 1,570,000 common shares were issued to settle indebtedness to certain related parties of \$157,000 and 630,000 common shares were issued to settle promissory notes payable of \$63,000 (Notes 10, 11 and 14). The common shares issued resulted in a gain on settlement of debts of \$55,000.

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

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12 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, 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)
Balance as at December 31, 2019	1,227,184	1,466,424	215,386	2,908,994
Private placement	-	33,000	-	33,000
Exercise of special warrants	-	(633,074)	-	(633,074)
Share-based compensation	483,683	-	-	483,683
Balance as at September 30, 2020	1,710,867	866,350	215,386	2,792,603

c) Stock options

As at September 30, 2020, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

Number of Shares	Exercise Price	Expiry Date
2,250,000	\$0.30	August 17, 2025
2,250,000		

Stock option transactions for the nine months ended September 30, 2020 and for the year ended December 31, 2019 are summarized as follows:

	Nine months ended September 30, 2020		Year ended December 31, 2019	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
		\$		\$
Balance, beginning of period	-	-	180,900	1.50
Granted	2,300,000	0.30	-	-
Expired/Cancelled	(50,000)	0.30	(180,900)	1.50
Balance, end of period	2,250,000	0.30	-	-
Options exercisable, end of period*	2,150,000	0.30	-	-

* 100,000 options are subject to a vesting period.

During the nine months ended September 30, 2020, the Company granted 2,300,000 stock options with a fair value of \$0.2174 per option and recorded \$483,683 (2019 - \$Nil) as share-based compensation for options vested during the period.

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12 Share capital and reserves (Cont'd)

The following weighted-average assumptions were used for the Black-Scholes valuation of stock options granted during the nine months ended September 30, 2020 and 2019:

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Risk-free interest rate	0.36%	-
Expected life of options	5 years	-
Forfeiture rate	0%	-
Annualized volatility	176%	-
Dividend rate	0%	-

d) Warrants

As at September 30, 2020, 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
1,100,000	\$0.10	April 8, 2022
3,328,590	\$0.80	April 26, 2022
2,665,227	\$0.15	August 13, 2022
10,293,817		

Warrants transactions for the nine months ended September 30, 2020 and year ended December 31, 2019 are summarized as follows:

	Nine months ended September 30, 2020		Year ended December 31, 2019	
	Number of Warrants	Weighted average exercise price	Number of Warrants	Weighted average exercise price
Balance, beginning of period	6,528,590	\$ 0.48	3,660,290	\$ 0.82
Issued	3,765,227	0.14	3,200,000	0.14
Expired	-	-	(331,700)	1.00
Balance, end of period	10,293,817	0.35	6,528,590	0.48

e) Special warrants

As at September 30, 2020, the Company had special warrants, enabling the holders to acquire further non-assessable common shares as follows:

Number of Shares	Exercise Price	Expiry Date
Nil	\$Nil	June 9, 2027
Nil		

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12 Share capital and reserves (Cont'd)

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.

On August 28, 2020, 1,055,123 special warrants were exercised into 1,055,123 common shares.

13 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

	September 30, 2020	December 31, 2019
	\$	\$
Financial assets *		
<i>Amortized at cost</i>		
Cash	35,227	56,244
Other receivables	11,524	4,456
	46,751	60,700
Financial liabilities		
<i>Amortized at cost</i>		
Accounts payable and accrued liabilities	551,016	1,234,038
Due to related parties	1,153,950	514,195
Lease liability	56,946	95,105
Loans payable	53,462	59,795
Promissory notes	607,404	1,064,987
	2,422,778	2,968,120

* 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, due to related parties, loans payable, and promissory notes are measured at amortized cost. The carrying value of lease liability approximated its fair value as it bears interest that approximates current market rates.

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13 Financial instruments (Cont'd)

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 \$61,000. 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.

14 Supplemental cash flow information

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
	\$	\$
Cash paid for interest	-	-
Cash paid for income taxes	-	-

On August 28, 2020, the Company issued 500,000 shares at a value of \$120,000 to Goldcliff, pursuant to the Pine Grove Property, Nevada mineral interest (Note 12).

On May 20, 2020, the Company entered into a sale and purchase agreement to assign a 25% interest in and to the ADGIS Agreement and an undivided 25% interest in and to the Oro Cruz Property (Notes 5 and 10) in full and final settlement of the total advances of \$440,000. The Company recognized a gain on settlement of debts of \$440,000 related to this sale and purchase agreement during the nine months ended September 30, 2020.

On April 17, 2020, the Company issued 800,000 shares at a value of \$80,000 to Goldcliff pursuant to the Pine Grove Property, Nevada mineral interest (Note 12).

On March 9, 2020, the Company issued 2,200,000 common shares of the Company to settle outstanding debt totaling \$220,000 (Notes 10 and 12).

On November 18, 2019, the Company issued 1,200,000 shares at a value of \$156,000 to Goldcliff, pursuant to the Pine Grove Property, Nevada mineral interest (Note 12).

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

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2020 and 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.

	Non-current assets
	\$
December 31, 2019	
United States of America	157,818
Canada	100,353
	258,171
September 30, 2020	
United States of America	456,872
Canada	66,643
	523,515

16 Subsequent event

On October 7, 2020, the Company granted 200,000 stock options to an officer of the Company exercisable at a price of \$0.30 per share for a period of five years, bringing the total number of outstanding stock options to 2,450,000.