

TRANSATLANTIC MINING CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Transatlantic Mining Corp.

Opinion

We have audited the consolidated financial statements of Transatlantic Mining Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to note 1 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
May 8, 2020



An independent firm
associated with Moore
Global Network Limited

TRANSATLANTIC MINING CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2019 and 2018
(Expressed in Canadian dollars)

	December 31, 2019 (\$)	December 31, 2018 (\$)
ASSETS		
Current Assets		
Cash	33,248	127,211
Receivables (Note 10)	243	42,537
Prepaid expenses	17,793	19,743
	51,284	189,491
Non-Current Assets		
Equipment (Note 4)	356,523	629,009
Right-of-use asset (Notes 4 and 7)	21,628	31,329
Reclamation bonds (Note 5)	51,050	49,666
Exploration and evaluation assets (Note 5)	591,436	7,736,583
Assets held for sale (Note 6)	7,179,797	-
Total Assets	8,251,718	8,636,078
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Notes 8 and 11)	4,569,123	3,617,949
Current portion of US Grant payable (Note 5)	1,007,237	5,456,800
Current portion of lease liability (Note 7)	12,039	5,797
Loan payable	-	2,100
	5,588,399	9,082,646
Non-Current Liabilities		
Long-term portion of US Grant payable (Note 5)	4,221,099	-
Lease liability (Note 7)	23,621	29,259
Total Liabilities	9,833,119	9,111,905
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 9)	21,375,847	21,375,847
Share-based payment reserve (Note 9)	3,845,952	3,845,952
Deficit	(26,803,200)	(25,697,626)
Total Shareholders' Deficiency	(1,581,401)	(475,827)
Total Liabilities and Shareholders' Deficiency	8,251,718	8,636,078

Nature of operations and going concern (Note 1)
Subsequent events (Note 16)

"Bernie Sostak", Director
Bernie Sostak

"Ray Parry", Director
Ray Parry

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

TRANSATLANTIC MINING CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in Canadian dollars)

	December 31, 2019	December 31, 2018
MINERAL PROPERTY EXPENSES (Note 5)	\$ 701,888	\$ 836,916
ADMINISTRATION EXPENSES		
Accretion and accrued interest (Notes 5 and 7)	47,368	342,146
Administrative costs	2,412	1,448
Amortization (Note 4)	251,308	302,107
Corporate communications	7,283	1,856
Consulting fees (Note 8)	1,119	30,445
Filing fees	37,999	49,804
Management fees (Note 8)	55,365	184,124
Office	229,145	58,744
Professional fees	105,160	18,753
Project investigation costs	234	2,965
Promotion	1,049	151,493
Travel	27,361	2,110
Total administration expenses	765,803	1,145,995
Loss before other items	(1,467,691)	(1,982,911)
OTHER ITEMS		
Foreign exchange gain (loss)	365,757	(650,579)
Loss on sale of asset (Note 4)	(13,471)	-
Other income	3,981	-
Recovery of loan receivable write-off	-	1,033
Write-off of accounts receivable	(3,170)	-
Gain on debt settlement (Note 9)	-	91,173
Gain on debt modification (Note 5)	9,020	-
	362,117	(558,373)
NET AND COMPREHENSIVE LOSS	\$ (1,105,574)	\$ (2,541,284)
Loss per common share – basic and diluted	\$ (0.01)	\$ (0.04)
Weighted average number of common shares – basic and diluted	83,639,916	65,443,339

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

TRANSATLANTIC MINING CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in Canadian dollars)

	Share Capital		Share-based payment and other reserves	Shares to be issued	Deficit	Total deficiency
	Shares	Amount (\$)	(\$)	(\$)	(\$)	(\$)
Balance, December 31, 2017	[1] 61,852,431	20,424,784	2,773,271	317,419	(23,156,342)	359,132
Private placements (Note 9)	6,178,750	278,044	339,831	(317,419)	-	300,456
Share issuance costs	-	(29,375)	-	-	-	(29,375)
Shares issued for debt (Note 9)	15,608,735	702,394	732,850	-	-	1,435,244
Net and comprehensive loss for the year	-	-	-	-	(2,541,284)	(2,541,284)
Balance, December 31, 2018	[2] 83,639,916	21,375,847	3,845,952	-	(25,697,626)	(475,827)
Net and comprehensive loss for the year	-	-	-	-	(1,105,574)	(1,105,574)
Balance, December 31, 2019	83,639,916	21,375,847	3,845,952	-	(26,803,200)	(1,581,401)

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

[1] The opening balance has been adjusted by 180,003 shares, which represents a correction of a double counted number of shares in a 2016 private placement. No additional value was attributed to these shares therefore the amount in share capital was not affected.

[2] The opening balance in number of shares outstanding does not include 2,000,000 shares issued in error. The Company is in the process of having the shares returned for cancellation in cooperation with the other party.

TRANSATLANTIC MINING CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in Canadian dollars)

	December 31, 2019 (\$)	December 31, 2018 (\$)
OPERATING ACTIVITIES		
Net loss for the year	(1,105,574)	(2,541,284)
Adjustment for non-cash items:		
Amortization	251,308	302,107
Accretion and accrued interest	47,368	342,146
Write-off of accounts receivable	3,170	-
Loss on sale of asset	13,471	-
Gain on debt settlement	-	(91,173)
Gain on debt modification	(9,020)	-
Unrealized foreign exchange loss	(305,556)	427,921
Net changes in non-cash working capital items:		
Receivables	39,124	(19,088)
Prepaid expenses	1,950	63,725
US Grant payable	33,138	-
Accounts payable and accrued liabilities	949,074	1,043,935
Net operating cash flows	(81,547)	(471,711)
INVESTING ACTIVITIES		
Acquisition of equipment	-	(3,784)
Proceeds from sale of asset	24,349	-
Mineral property acquisition costs	(34,650)	(60,691)
Net investing cash flows	(10,301)	(64,475)
FINANCING ACTIVITIES		
Private placements, net of issuance costs	-	588,501
Lease payment	(2,114)	(5,347)
Net financing cash flows	(2,114)	583,154
Change in cash	(93,963)	46,968
Cash, beginning	127,211	80,243
Cash, ending	33,248	127,211

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

TRANSATLANTIC MINING CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

1. NATURE OF OPERATIONS AND GOING CONCERN

Transatlantic Mining Corp. (the “Company”) was incorporated under the Business Corporations Act (British Columbia). The Company is engaged in the acquisition and exploration of mineral property interests. The Company’s registered and head office is located at Suite 400 - 837 West Hastings Street, Vancouver, British Columbia, V6C 3N6. The Company’s shares are listed on the TSX Venture Exchange (“TSXV”) under the symbol “TCO”.

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company’s continued existence is dependent upon its ability to raise additional capital, the continuing support of its creditors, and ultimately the attainment of profitable operations and positive cash flows. Failure to obtain sufficient financing will have an adverse effect on the financial position of the Company and its ability to continue as a going concern. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. These consolidated financial statements do not give effect to adjustments that might be necessary to the carrying values, classification of assets and liabilities, and the reported operating results should the Company be unable to continue as a going concern. For the year ended December 31, 2019, the Company incurred an operating loss of \$1,105,574 (2018 - \$2,541,284), and as at December 31, 2019 had a working capital deficit of \$5,537,115 (2018 - \$8,897,155). Management’s plan includes continuing to pursue additional sources of financing through equity offerings, greater than 3-year loans as gold pre-payment and additional combinations thereof, and where practical, has and continues reducing overhead costs.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

2. BASIS OF PRESENTATION

These consolidated financial statements were approved for issue by the board of directors on May 8, 2020.

Statement of compliance with International Financial Reporting Standards

These consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standard (“IFRS”) as issued by International Accounting Standards Board (“IASB”), and interpretations of the IFRS Interpretations Committee (“IFRIC”).

Consolidation

These consolidated financial statements include the records of the Company and its wholly-owned subsidiaries Archean Star Resources Australia Pty Ltd. (“ASA”), incorporated in Australia, and Transatlantic Idaho Corp., Transatlantic Contracting Corp., Transatlantic Montana Corp., Transatlantic Equipment Corp., and Alder Mountain Milling Corp., all incorporated in the USA. All intercompany transactions, balances and any unrealized gains and losses from intercompany transactions are eliminated in preparing the consolidated financial statements.

TRANSATLANTIC MINING CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

2. BASIS OF PRESENTATION (CONTINUED)

Significant estimates and assumptions

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets, provisions for restoration and environmental obligations and contingent liabilities.

Significant judgments

The preparation of consolidated financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's consolidated financial statements include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and the determination of the functional currency of the parent company and its subsidiaries.

Basis of presentation

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's principal accounting policies are outlined below:

(a) Foreign currency translation

The financial statements for the Company and its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The presentation currency of the Company is the Canadian dollar. The functional currency of the Company and its subsidiaries is the Canadian dollar.

TRANSATLANTIC MINING CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Foreign currency translation (continued)

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in the consolidated statements of comprehensive loss.

(b) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(c) Environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of the mineral property when those obligations result from the acquisition, development or normal operations of the assets. The net present value of future rehabilitation cost estimates arising from decommissioning a site and other work is capitalized to exploration and evaluation assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as exploration and evaluation assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to exploration and evaluation assets with a corresponding entry to the rehabilitation provision. The Company's estimates are renewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to comprehensive loss in the period incurred.

The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provisions as incurred. The cost of ongoing current programs to prevent and control pollution is charged against profit and loss and incurred.

TRANSATLANTIC MINING CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Exploration and evaluation assets

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activity includes: 1) researching and analysing historical exploration data 2) gathering exploration data through topographical, geochemical and geophysical studies 3) exploratory drilling, trenching and sampling 4) determining and examining the volume and grade of the resource 5) surveying transportation and infrastructure requirements 6) conducting market and finance studies.

Exploration and evaluation costs are charged to profit and loss as incurred except for expenditures associated with the acquisition of exploration and evaluation assets, which are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit and loss in the consolidated statements of comprehensive loss.

(e) Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of a significant replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statement of loss and comprehensive loss during the financial period in which they are incurred. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation and amortization are calculated on a straight-line method to charge the cost, less residual value, of the assets to their residual values over their estimated useful lives over a term of 2 to 6 years.

(f) Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

TRANSATLANTIC MINING CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Income taxes (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(g) Loss per share

Basic loss per share is computed by dividing the net loss by the weighted average number of outstanding shares in issue during the reporting year. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the year. In a loss reporting period, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilute.

(h) Comprehensive income (loss)

Comprehensive income (loss) is defined as the change in net assets that results from transactions and other events from non-owner sources and includes items that are not included in net profit (loss), such as unrealized gains and losses related to available for sale securities, gains and losses on certain derivative instruments and foreign currency and gains and losses resulting from the translation of self-sustaining foreign operations.

The Company has no items that are required to be reported in comprehensive income. Accordingly, net loss equals comprehensive loss.

(i) Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

TRANSATLANTIC MINING CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (continued)

The following table shows the classification under IFRS 9:

Financial assets/liabilities	IFRS 9 classification
Cash	Amortized cost
Accounts payable	Amortized cost
US Grant acquisition payable	Amortized cost
Loan payable	Amortized cost

Measurement

Financial assets at FVTOCI

Elected investments in equity investments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transactions costs expensed in the consolidated statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of comprehensive loss in the period in which they arise.

Impairment of financial assets at amortized cost

The Company recognized a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset's credit risk has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of compressive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

TRANSATLANTIC MINING CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (continued)

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of comprehensive loss.

(j) Asset held for sale

Judgment is required in determining whether an asset meets the criteria for classification as "assets held for sale" in the consolidated statements of financial position. Criteria considered by management include the existence of and commitment to a plan to dispose of the assets, the expected selling price of the assets, the expected timeframe of the completion of the anticipated sale and the period of time any amounts have been classified within assets held for sale. The Company reviews the criteria for assets held for sale each quarter and reclassifies such assets to or from this financial position category as appropriate. In addition, there is a requirement to periodically evaluate and record assets held for sale at the lower of their carrying value and fair value less costs to sell.

(k) Impairment of non-financial assets

At each statement of financial position date, in accordance with IAS 36 "*Impairment of Assets*", the Company assesses whether there is any indication that any of those assets have suffered an impairment loss. If any indication exists, the Company estimates the asset's recoverable amount.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit ("CGU"), exceeds its recoverable amount. Impairment losses are recognized in profit and loss for the reporting period. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to those units, and then to reduce the carrying amount of other assets in the unit on a pro-rata basis.

An impairment loss for an individual asset or CGU shall be reversed if there has been a change in estimates used to determine the recoverable amount since the last impairment loss was recognised and is only reversed to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

The recoverable amount is the greater of an asset's or CGU fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. For an asset that does not generate largely independent cash inflows, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(l) Warrants

The Company uses the residual method for accounting for warrants issued as part of units. Under this method warrants are assigned a value equal to the excess of the unit purchase price over the then prevailing market price of the Company's shares. When the units are priced at or below market there is no excess and the warrants are valued at Nil.

TRANSATLANTIC MINING CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Segment reporting

A reportable segment, as defined by 'IFRS 8 *Operating Segments*', is a distinguishable business or geographical component of the Company, which are subject to risks and rewards that are different from those of other segments. The Company considers its primary reporting format to be business segments. The Company considers that it has only one reportable segment, being the mineral exploration segment. As the political risks, likelihood of positive results, assets, liabilities and cash flows of the mineral exploration segment are substantially the same to those of the consolidated Company; no separate analysis has been provided.

(n) Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.

(o) Change in accounting policies

IFRS 16, *Leases* ("IFRS 16")

Effective January 1, 2019, the Company adopted IFRS 16, *Leases*, which specifies how to recognize, measure, present and disclose leases. The standard introduces a single lessee accounting model and requires a lessee to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company's accounting policy under IFRS 16 is as follows: At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This policy is applied to contracts entered into, or changed, on or after January 1, 2019. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use assets are subsequently amortized from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method. The lease term includes consideration of an option to renew or to terminate if the Company is reasonably certain to exercise that option.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising mainly from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option due to a significant event or change in circumstances. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. Under IAS 17, *Leases* ("IAS 17"), the Company's accounting policy was as follows: The determination of whether an arrangement was (or contained) a lease was based on the substance of the arrangement at the inception of the lease. The arrangement was, or contained, a lease if fulfilment of the arrangement was dependent on the use of a specific asset and the arrangement conveyed a right to use the asset, even if that asset was not explicitly

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Change in accounting policies (continued)

IFRS 16, *Leases* ("IFRS 16") (continued)

specified in an arrangement. A lease was classified at the inception date as a finance lease or an operating lease. A lease that transferred substantially all the risks and rewards incidental to ownership to the Company was classified as a finance lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were recognized in net finance expenses (income) in net loss. A leased asset was depreciated over the term of the lease. An operating lease was a lease other than a finance lease. Operating lease payments were recognized in net loss on a straight-line basis over the lease term. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

Impact of transition to IFRS 16

Effective January 1, 2019 the Company adopted IFRS 16 using the modified retrospective approach. Accordingly, comparative figures as at and for the year ended December 31, 2018 have not been restated and continue to be reported under IAS 17 and IFRIC 4, determining whether an arrangement contains a lease ("IFRIC 4"). As at January 1, 2019 the Company had no operating leases. For equipment leases previously classified as finance leases under IAS 17, the Company measured the right-of-use asset and lease liability as previously accounted for without adjustment.

(p) Accounting standards issued but not yet effective

There are no other IFRS or International Financial Reporting Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Company's consolidated financial statements.

TRANSATLANTIC MINING CORP.
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4. EQUIPMENT

	Right-of-Use Asset (Note 7)	Equipment	Total
Cost:	(\$)	(\$)	(\$)
Balance, December 31, 2017	54,494	1,249,836	1,304,330
Additions*	-	3,784	3,784
Balance, December 31, 2018	54,494	1,253,620	1,308,114
Disposal	-	(74,653)	(74,653)
Balance, December 31, 2019	54,494	1,178,967	1,233,461
Amortization:			
Balance, December 31, 2017	11,755	333,914	345,669
Charge for the year	11,410	290,697	302,107
Balance, December 31, 2018	23,165	624,611	647,776
Charge for the year	11,483	239,825	251,308
Disposal	-	(40,508)	(40,508)
Foreign exchange movement	(1,782)	(1,484)	(3,266)
Balance, December 31, 2019	32,866	822,444	855,310
Balance, December 31, 2018	31,329	629,009	660,338
Balance, December 31, 2019	21,628	356,523	378,151

*Additions include mobile equipment, mining equipment and mill equipment.

During the year ended December 31, 2019, the Company sold mobile equipment that resulted to a loss of \$13,471 (2018 - \$Nil).

5. EXPLORATION AND EVALUATION ASSETS

	Monitor Property (\$)	St. Lawrence Property (\$)	Alder Mountain Project (\$)	Kearsarge Gold Project (\$)	Total for the year ended December 31, 2019 (\$)	Total for the year ended December 31, 2018 (\$)
Acquisition costs						
Balance, beginning	491,925	63,199	7,142,587	38,872	7,736,583	7,656,163
Additions	26,930	9,382	-	(1,662)	34,650	80,420
Assets held for sale (Note 6)	-	-	(7,142,587)	(37,210)	(7,179,797)	-
Balance, ending	518,855	72,581		-	591,436	7,736,583

(a) Monitor Property

On February 5, 2013, as amended on March 12, 2015, the Company entered into an option and joint venture agreement with American Cordillera Mining Corporation ("AMCOR"), and Northern Adventures LLC ("NALLC") whereby it has the right to earn 80% of AMCOR's 100% leasehold interest in a Purchase Option Mining Lease Agreement between AMCOR and NALLC on the Monitor Property, located in Idaho, USA. In order for the Company to earn the 80% interest in the Monitor Property, subject to certain underlying royalties, the Company must:

- (i) pay US\$25,000 in cash (paid);
- (ii) incur property expenditures of US\$2,100,000 over three years (completed); and
- (iii) issue 400,000 common shares of the Company in stages, all of which have been issued in prior years.

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5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

(a) Monitor Property (continued)

In exchange for an amendment in prior years, the Company paid additional consideration of 150,000 common shares (issued at a fair value of \$30,000 in previous year) and US\$25,000 cash (paid in previous year).

The Company shall have the right to exercise a buyout clause and thereby purchase a 100% interest in the property from NALLC and terminate the Purchase Option Mining Lease Agreement. Upon exercise of this buy-out option, AMCOR shall be obligated to contribute 20% of the cost of the acquisition of the property.

If the Company exercises the option, AMCOR shall receive a 20% carried interest until such time as the earlier of:

- (i) a NI 43-101 compliant Feasibility Study is completed; and
- (ii) the Company has notified AMCOR in writing of its decision to proceed with mining of the property.

At this time, a joint venture shall automatically be deemed to be formed between the Company and AMCOR, where AMCOR will hold a 20% joint venture interest and the Company will hold an 80% joint venture interest in the Monitor claims.

(b) St. Lawrence Property

On June 25, 2015, the Company entered into a Lease Agreement for a parcel of land (the "St. Lawrence Property") on the Montana/Idaho border. The term of the lease is for 25 years, with an option to renew for a further 25 years. As consideration, the Company issued 130,000 common shares of the Company (issued with a fair value of \$19,500) and a 1% net smelter royalty ("NSR") from any production from the Monitor Property and St. Lawrence Property.

The Company is obligated to pay an annual maintenance fee of US\$10,000 upon the execution of the Lease Agreement (paid) and upon each anniversary date of the Lease Agreement. The landowner may terminate the lease agreement after seven years if the Company has not paid during that period NSR or equivalent cash payments totaling at least US\$150,000.

The landowner may also terminate the lease after three years if the Company has not incurred by that time at least US\$100,000 in expenditures on the St. Lawrence Property. As at December 31, 2019, the Company incurred \$84,137 in accumulated expenditures related to St. Lawrence Property. The Company has not received any formal termination notice from the landowner.

As of December 31, 2019, the Company has paid all required lease payments for 2018 and had an outstanding amount owing to the landowner of US\$7,500 for the 2019 year end.

At December 31, 2019, the Company has a refundable performance bond of \$14,705 (US\$10,260) (2018 - \$13,321) for security of drilling activity requirements for the property.

(c) Alder Mountain Project

On January 18, 2016, the Company entered into a Mining Lease and Option to Purchase Agreement to lease the U.S. Grant Mine located in the County of Madison, Montana, for an initial term of 4 months, commencing January 18, 2016 until May 17, 2016. The Company was obligated to pay a non-refundable rent of US\$50,000 prior to the initial term (paid). The Company extended the initial term for an additional 12 months to May 18, 2017 for rent of US\$25,000 per

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5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

(c) Alder Mountain Project (continued)

month. Such rent payments will be applied to the purchase price. If after the initial and extension term, the Company had not exercised its option to purchase, the agreement would terminate.

At any time during the initial and extension term, the Company may exercise its option to purchase the U.S. Grant Mine for a purchase price of US\$6,000,000. The purchase price shall be paid in installments, less rent payments noted above, as follows:

- US\$2,000,000 upon closing of the purchase (paid);
- US\$2,000,000 one year after the date of closing of the purchase; and
- US\$2,000,000 two years after the date of closing.

On August 28, 2017, the Company received TSXV approval to close its acquisition of the U.S. Grant Mine. The remaining payments were secured by a mortgage on the property in favour of the vendors. On August 28, 2017, the short and long-term portions of the obligation were discounted to US\$1,882,132 from US\$1,995,060 and US\$1,779,993 from US\$2,000,000, respectively, at a 6% discount rate and were being accreted up to the face values over the term of the debt.

On August 23, 2018, the Company's wholly owned subsidiary, Transatlantic Montana Corp., received a notice of default regarding its scheduled US\$2,000,000 mortgage payment due on the U.S. Grant property.

On November 5, 2019, Transatlantic Montana Corp. entered into amended and restated purchase and sale agreement (the "Agreement") with Madison Mining Corporation, Elite Property CA and Carmen Renee Dugan (the "Sellers"). Under the amended agreement, the balance of the purchase price is payable as follows:

- US\$500,000 shall be paid on or before January 7, 2020; (subsequently paid)
- US\$500,000 shall be paid on or before July 1, 2020; and
- US\$3,250,000 shall be paid on or before January 31, 2021.

As at December 31, 2019, the outstanding balance was \$5,519,899 (US\$4,250,000) (2018 - \$5,456,800) of which \$649,400 (US\$500,000) is due on January 7, 2020, \$649,400 (US\$500,000) is due on July 1, 2020 and \$4,221,099 (US\$3,250,000) is due on January 31, 2021. During the year ended December 31, 2019, the remaining payments of the purchase price were discounted to \$5,228,336 (US\$4,025,513) from \$5,519,899 (US\$4,250,000), at a 6% discount rate and were being accreted up to the face values over the term of the debt. The Company recognized a gain on debt modification of \$9,020 (US\$6,945) in the consolidated statement of comprehensive loss. The remaining payments were secured by a mortgage on the property in favour of the vendors. Subsequent to the year ended December 31, 2019, the Company entered into a letter of intent and exclusivity period with a third party to sell the U.S. Grant Mine and Mill (Notes 6 and 16). Pursuant to the agreement, upon closing and meeting all the conditions the third party will assume all the obligations post May 31, 2020, or thereabout. During the year ended December 31, 2019, the Company recorded accretion expense of \$42,874 (US\$32,311) (2018 - \$342,146 (US\$264,063)).

At December 31, 2019, the Company has refundable performance bonds of \$36,345 (US\$27,439) (2018 - \$36,345) for security of drilling activity requirements for the property.

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5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

(d) Kearsarge Gold Project

On May 4, 2017, the Company entered into an exclusive agreement to lease and purchase the Kearsarge claim group ("KCG") in Madison country in the state of Montana. These claims are approximately four miles from the U.S. Grant Mine. The Company may extend the initial term for up to an additional 12 months to December 31, 2018 for rent of US\$40,000 (paid). The Company can then extend the agreement for a second renewal term to December 31, 2028 for rent of US\$8,333 per month until the Company reaches commercial production of a minimum of 30,000 ore tons per month, after which the rent will increase based on production. Such rent payments will be applied to the purchase price. At any time during the initial and extension term, the Company may exercise its option to purchase the KCG for a purchase price of US\$6,000,000, less rent payments and US\$60,000 paid to the claim owner for personal property.

On July 31, 2019, the Company elected to exercise its second renewal term for up to 10 years of the exclusive agreement to lease and purchase the KCG after due diligence work was completed.

At December 31, 2019, US\$77,000 of required lease payments for 2019 remained outstanding, which were paid in January and April, 2020. During the year ended December 31, 2019, the Company has paid \$43,788 (US\$33,000) to the owner whilst also spending funds in the project data.

Subsequent to the year ended December 31, 2019, the Company entered into a letter of intent and exclusivity period with a third party to sell the Kearsarge gold project (Notes 6 and 16).

(e) Miller Mine Gold Project

On July 2, 2019, the Company entered into an exclusive agreement to lease with an option to purchase the Miller Mine in the Broadwater County of Montana. The agreement is subject to an initial due diligence period including the Company's election to lease and purchase with a profit share arrangement consideration. The Company has been granted an exclusive due diligence right to data and information on the Miller Mine Patented and Unpatented claims to August 15, 2019, extended to October 15, 2019 and then to May 31, 2020. To December 31, 2019, no funds have been spent on the property. The terms of the agreement include:

- A First Renewal Term of 24 months following the expiry of the due diligence period for consideration of \$100,000 in cash or shares equivalent at a per share amount of between \$0.05 and \$0.10 at the Company's election, subject to TSX-V approval. The Company is also to spend a further \$100,000 in development in the first renewal term.
- A Second Renewal Term of 24 months on the expiry of the First Renewal Term for consideration of \$100,000 spent in that period.
- Should mining occur at any time, an 8.5% royalty on ounces produced must be paid. During the term of the agreement, the Company may purchase the property for US\$4,500,000, less the payments made above, and a perpetual 1% gold NSR to the vendor thereafter.

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5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Exploration and evaluation asset expenses incurred on the properties are as follows:

	For the Years Ended December 31, 2019					Total (\$)
	Alder Mountain (\$)	Monitor (\$)	St. Lawrence (\$)	Kearsarge Gold (\$)	Miller Mine (\$)	
Assays and analysis	-	-	-	-	16,107	16,107
Consultants (Note 8)	54,334	16,180	4,119	25,119	41,190	140,942
General and administrative field cost	10,594	3,775	1,248	10,208	7,021	32,846
Management fees (Note 8)	108,000	54,000	18,000	144,000	36,000	360,000
Professional fees	71,481	10,759	3,586	29,157	6,300	121,283
Rent	-	-	-	-	4,366	4,366
Report and data compilation	-	-	-	4,800	-	4,800
Utilities	4,265	-	-	-	-	4,265
Travel, accommodation and fuel	3,189	-	2,769	6,819	4,502	17,279
Total	251,863	84,714	29,722	220,103	115,486	701,888

	For the Years Ended December 31, 2018					Total (\$)
	Alder Mountain (\$)	Monitor (\$)	St. Lawrence (\$)	Kearsarge Gold (\$)		
Assays and analysis	18,400	-	-	12,915		31,315
Consultants (Note 8)	131,413	72,722	20,891	14,121		239,147
General and administrative field cost	50,795	7,434	614	987		59,830
Geologists, geophysical contractors, geotechnical	3,421	-	-	-		3,421
Land lease	7,289	-	-	-		7,289
Management fees (Note 8)	144,000	72,000	18,000	-		234,000
Meals and entertainment	1,155	4,804	1,113	2,098		9,170
Professional fees	109,698	38,849	11,289	3,553		163,389
Repairs and maintenance	22,597	-	-	-		22,597
Salaries and wages	4,003	6,220	-	-		10,223
Supplies	1,748	538	71	71		2,428
Utilities	11,605	-	-	-		11,605
Travel, accommodation and fuel	17,120	19,845	2,437	3,100		42,502
Total	523,244	222,412	54,415	36,845		836,916

TRANSATLANTIC MINING CORP.
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6. ASSETS HELD FOR SALE

During the year ended December 31, 2019 the Company commenced plans to sell certain properties, and on January 1, 2020, the Company entered into a letter of intent and exclusivity period with a third party to sell the U.S. Grant Mine and Mill and the Kearsarge Gold Project (the “assets”), pursuant to which the purchase consideration for the assets are as follows:

- Shares of the third party with a market value of 95% of the value of the Company's issued and outstanding shares at an agreed value of \$0.10 per share (83,639,916 shares outstanding x 95% x \$0.10);
- Cash payment of US\$550,000 (received on January 8, 2020) (Note 16);
- Payment of US\$2,000,000 by May 31, 2020 or prior; and
- US\$2,000,000 cash payment on first gold production from the Assets or in two years, whichever is earlier.

The Company reclassified the assets from exploration and evaluation assets to assets held for sale as at December 31, 2019 (Note 5). The value was determined based on the lower of the asset's carrying amount and fair value less costs to sell, and is computed as follows:

	Alder Mountain Project (\$)	Kearsarge Gold Project (\$)	Total (\$)
Purchase price			
Value of common shares	7,906,394	39,398	7,945,792
Cash payment of \$716,430 (US\$550,000 at 1.3026)	708,587	7,843	716,430
US\$2,000,000 at 1.2988	2,569,160	28,440	2,597,600
Present value of US\$2,000,000 at 1.2988, discounted at 9%	2,162,411	23,937	2,186,348
Fair value of the consideration to be received	13,346,552	99,618	13,446,170
Carrying amount of the assets	7,142,587	37,210	7,179,797

Since the fair value of the consideration to be received is greater than its carrying amount, the assets are not impaired. The Company reclassified from exploration and evaluation assets and recognized \$7,179,797 as assets held for sale as at December 31, 2019.

7. LEASE LIABILITY

On December 2, 2016, the Company entered into a vehicle loan payable in the amount of US\$45,940, for a monthly lease payment of US\$547, payable over 84 months. As at January 1, 2019, the Company adopted IFRS 16, and classified the carrying value of vehicle as right-of-use asset and recognized a lease liability (previously presented as loan payable) on the statement of financial position (Note 4). A summary of the lease liability is as follows:

	December 31, 2019 (\$)	December 31, 2018 (before adoption of IFRS 16) (\$)
Total minimum lease payments	39,686	41,268
Portion representing interest to be expensed over remaining term of lease	(4,026)	(6,212)
Principal outstanding	35,660	35,056
Less: current portion	(12,039)	(5,797)
Non-current portion	23,621	29,259

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8. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The following table summarizes services provided by related parties:

	December 31, 2019	December 31, 2018
	(\$)	(\$)
Management (a)	360,000	360,000
Consulting and director fees (b)	115,365	117,696
	475,365	477,696

- (a) The Company paid management fees of \$360,000 (2018 - \$360,000) to the CEO of the Company.
(b) The Company paid consulting fees of \$60,000 (2018 - \$60,000) and director fees of \$55,365 (2018 - \$57,696) to directors of the Company.

As of December 31, 2019, \$2,789,595 (2018 - \$2,137,168) is due to related parties, being directors of the Company, for the services above, which is included in accounts payable and accrued liabilities (Note 11). Amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

During the year ended December 31, 2018, the Company settled amounts due to related parties through the issuance of 12,500,000 common shares at a fair value of \$562,500 (Note 9).

8. ISSUED CAPITAL

- (a) Authorized

Unlimited number of common shares without par value.

- (b) Share capital transactions

Year Ended December 31, 2019

There were no shares issued during the year ended December 31, 2019.

Year Ended December 31, 2018

On October 29, 2018, the Company closed the third tranche of financing consisting of 6,178,750 units for proceeds of \$617,875. Each unit consist of one common share and one share purchase warrant, with each warrant entitling the holder to purchase one common share at a price of \$0.15, exercisable for a period of three years. \$339,831 was allocated to the warrants using the residual method. The Company also paid cash finders fees of \$29,375 in connection with the third tranche of the financing.

On the same date, the Company closed a shares-for-debt offering, pursuant to which debt in total amount of \$1,526,416 was settled through the issuance of a total of 15,608,735 common shares. In addition, a total of 2,538,734 share purchase warrants were issued to certain creditors who are at arm's-length to the Company. The fair value of shares was estimated to be \$702,394 and the fair value of warrants estimated to be \$72,850. The Company recorded a gain on debt settlement of \$91,173 on the consolidated statement of comprehensive loss. Two of the creditors with whom debt was settled are directors of the Company, and, accordingly, the settlement with these individuals was a related party transaction. These directors settled through the issuance of 12,000,000 and 500,000 common shares at a fair value of \$540,000 and \$22,500, respectively (Note 8). As a portion of the debt settled constituted the settlement of a loan from a shareholder, and the gain was charged to reserves.

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9. ISSUED CAPITAL (CONTINUED)

(c) Stock options

The Company may from time to time, in its discretion, and in accordance with the TSXV requirements, grant to directors, officers, employees and consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. Options will be exercisable for a period of up to 10 years from the date of grant.

The option price shall be not less than the discounted market price on the grant date, and the expiry date shall be set by the board at the time of grant of the option.

	Options	Weighted Average Exercise Price (\$)
Balance, December 31, 2017	2,150,000	1.00
Cancelled	(1,000,000)	1.00
Balance, December 31, 2019 and 2018	1,150,000	1.00

As at December 31, 2019, the following stock options were outstanding and exercisable:

Number	Weighted Average Exercise Price (\$)	Expiry Date	Weighted Average Remaining Contractual Life (in years)
1,150,000	1.00	June 22, 2021	1.47

(d) Warrants

	Total outstanding Warrants	Weighted Average Exercise Price (\$)
Balance, December 31, 2017	47,768,141	0.25
Issued	8,717,484	0.15
Expired	(3,161,817)	0.92
Balance, December 31, 2018	53,323,808	0.19
Expired	(8,220,750)	0.44
Balance, December 31, 2019	45,103,058	0.15

As at December 31, 2019, the following warrants were outstanding and exercisable:

Number	Weighted Average Exercise Price (\$)	Expiry Date	Weighted Average Remaining Contractual Life (in years)
23,137,500	0.15	August 28, 2020	0.34
19,426,824	0.15	September 6, 2020	0.30
2,538,734	0.15	October 29, 2021	0.10
45,103,058	0.15		0.74

(e) Share-based payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

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10. RECEIVABLES

	December 31, 2019	December 31, 2018
	(\$)	(\$)
Other accounts receivable	-	10,460
Sales tax receivable	243	32,077
Total	243	42,537

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2019	December 31, 2018
	(\$)	(\$)
Accounts payable	1,599,133	1,329,581
Accrued liabilities	166,000	151,200
Sales tax payable	14,395	-
Due to related parties (Note 8)	2,789,595	2,137,168
Total	4,569,123	3,617,949

12. INCOME TAXES

	December 31, 2019	December 31, 2018
	(\$)	(\$)
Net loss	(1,105,574)	(2,541,284)
Statutory tax rate	26.56%	26.50%
Expected income tax recovery	(293,626)	(673,781)
Non-deductible items	(152,199)	80,677
Effect of change in tax rates	2,390	469,454
Change in unrecognized deferred tax assets	443,434	123,650
Deferred income tax recovery	-	-

The significant components of the Company's deferred income tax assets and liabilities are as follows:

	December 31, 2019	December 31, 2018
	(\$)	(\$)
Non-capital losses	5,509,999	5,123,467
Capital losses	799,964	799,964
Share issuance costs	42,231	65,841
Equipment	253,257	172,746
Exploration and evaluation assets	524,479	524,479
Less: Valuation allowance	(7,129,931)	(6,686,497)
Net deferred income tax asset	-	-

The Company has non-capital losses of approximately \$16,000,000 (2018 - \$14,900,000) available to offset deferred income for income tax purposes which commence expiring in 2032 and \$3,800,000 (2018 - \$3,760,000) of non-capital losses with no expiry date. Due to the uncertainty of realization of these loss carry-forwards, the benefit is not reflected in the financial statements as the Company has provided a full valuation allowance for the potential deferred tax assets resulting from these loss carry-forwards.

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13. FINANCIAL INSTRUMENTS

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk: Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash accounts and its receivables. This risk is managed through the use of a major bank that is a high credit quality financial institution as determined by rating agencies. The risk associated with its receivables is minimal.

Liquidity risk: Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. Liquidity risk is assessed as high.

Currency risk: Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's functional currency is the Canadian dollar. The Company is exposed to currency exchange rate risk to the extent of its activities in Australia and the United States. Management believes the foreign exchange risk derived from currency conversions from the Australian and American operations is not significant and does not hedge its foreign exchange risk.

The following is an analysis of Canadian dollar equivalent of financial assets and liabilities that are denominated in Australian dollars:

	December 31, 2019	December 31, 2018
	(\$)	(\$)
Cash	25,444	24,895
Accounts payable	(279,118)	(236,653)
	(253,674)	(211,758)

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13. FINANCIAL INSTRUMENTS (CONTINUED)

The following is an analysis of Canadian dollar equivalent of financial assets and liabilities that are denominated in US dollars:

	December 31, 2019	December 31, 2018
	(\$)	(\$)
Cash	3,793	50,740
Accounts payable	(950,036)	(769,411)
US Grant payable	(5,228,336)	(5,456,800)
	(6,174,579)	(6,175,471)

Based on the above net exposures, as at December 31, 2019, a 5% change in the Australian dollar to Canadian dollar exchange rate would impact the Company's net loss by \$12,684 and by \$308,729 for a 5% change in the US dollar to Canadian dollar.

Industry risk: The Company is engaged primarily in the mineral exploration field and manages related industry risk issues directly. The Company is potentially at risk for environmental reclamation and fluctuations in commodity-based market prices associated with resource property interests. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements.

Interest rate risk: Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is not significant as the Company's assets and liabilities do not bear any interest.

Capital management: The Company manages its capital structure based on the funds available to the Company, in order to fund its general and administration expenses, support acquisition, maintenance, exploration, and development of mineral properties. The capital structure of the Company consists of equity and debt obligations, net of cash and cash equivalents. The Board of Directors has not established any quantitative return on capital criteria for management, instead relying 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, so the Company is dependent on external financing to fund its activities. In order to carry out activities and administration, the Company will spend its existing working capital and raise additional amounts as needed. The Company is not subject to any externally imposed restrictions on capital. There were no changes in the Company's approach to capital management during the year.

14. SEGMENTED INFORMATION

Operating segments

The Company had one reportable operating segment, being the acquisition, exploration, and disposition of interests in mineral properties located in one geographical segment, the USA.

Geographic segments

The following non-current assets, which consist of equipment and exploration and evaluation assets, are located in the following countries:

	December 31, 2019	December 31, 2018
	(\$)	(\$)
USA	8,200,434	8,446,587

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15. LITIGATION

The Company may from time to time be subject to litigation. At December 31, 2019, the Company has accrued for what it believes is a reasonable amount with respect to any litigation claims.

The Company has completed successful mediation on the Alder Mountain Project - US Grant where it was in default of payment terms, with new payments set for 2020 and 2021 (Note 5).

16. SUBSEQUENT EVENTS

On January 14, 2020, the Company extended the due diligence period on its option agreement for the Miller Mine to May 31, 2020.

On April 21, 2020, the Company entered into an agreement with Endomines Idaho, LLC ("Endomines") to sell the U.S. Grant Mine and Mill in conjunction with the lease assignment of the Kearsarge gold project. The assets are currently managed and owned under the Company's wholly owned subsidiary, Transatlantic Montana Corp. Summary details of the transaction are:

- Payment of US\$550,000 (received on January 8, 2020);
- Payment of US\$2,000,000 (by May 31, 2020, or prior);
- 95% of the Company current share capital structure at \$0.10 to be fully paid in Endomines shares on a 10-day volume-weighted average price from execution date of the signed agreement;
- US\$2,000,000 cash payment on first gold production on the assets or two years, whichever is earlier.

Both parties have signed the sale and purchase agreement with the closing to be completed by May 31, 2020, unless mutually agreed by parties to extend beyond this date.

The transaction is subject to final acceptance for filing by the TSX-V and shareholder vote and/or consent for the disposition as required for the closing. A special meeting for shareholders to vote on the transaction is to be held in May, 2020.

Subsequent to year ended December 31, 2019, the Company paid US\$500,000 to the Seller of US Grant Mine and Mill.

Subsequent to year ended December 31, 2019, the Company paid US\$40,000 on January 31, 2020 and US\$50,000 on April 17, 2020 of outstanding lease payments to the landowner of the Kearsarge property.