



**Consolidated Financial Statements**  
**For the years ended December 31, 2020 and 2019**

(Expressed in United States Dollars)

*Audit. Tax. Advisory.*

## **Independent Auditor's Report**

To the Shareholders of African Gold Group, Inc.

### **Opinion**

We have audited the consolidated financial statements of African Gold Group, Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of operations and comprehensive loss, consolidated statements of equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019 and its consolidated financial performance and its consolidated 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 consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. 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 2 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2020, and as at that date, has a working capital deficiency. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Other information**

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially

inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

### **Responsibilities of management and those charged with governance for the consolidated financial statements**

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

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

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

### **Auditor's responsibilities for the audit of the consolidated financial statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 of the audit resulting in this independent auditor's report is Glen McFarland.

**McGovern Hurley LLP**



**Chartered Professional Accountants  
Licensed Public Accountants**

Toronto, Ontario  
April 23, 2021

**African Gold Group Inc.**  
**Consolidated Statements of Financial Position**  
(Expressed in U.S. Dollars)

As at:	December 31, 2020	December 31, 2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 4)	\$ 785,679	\$ 543,452
Receivables	254,957	40,038
Prepaid expenses	381,072	54,332
<b>Total current assets</b>	<b>1,421,708</b>	637,822
<b>Non-current assets</b>		
Exploration and evaluation assets (Note 5)	31,135,277	27,476,812
Property and equipment (Note 6)	298,514	247,846
<b>Total assets</b>	<b>\$ 32,855,499</b>	\$ 28,362,480
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Notes 7, 8)	\$ 1,597,951	\$ 4,542,294
<b>Total liabilities</b>	<b>1,597,951</b>	4,542,294
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Notes 9(a) and (b))	65,506,374	57,159,199
Reserve - share based payments (Note 9(c))	2,174,703	488,775
Reserve - warrants (Note 9(d))	5,593,248	4,136,743
Accumulated other comprehensive loss	(5,986,148)	(6,157,052)
Accumulated deficit	(36,030,629)	(31,807,479)
<b>Total shareholders' equity</b>	<b>31,257,548</b>	23,820,186
<b>Total liabilities and shareholders' equity</b>	<b>\$ 32,855,499</b>	\$ 28,362,480

Going concern (Note 2)  
Contingencies and commitments (Note 11)  
Subsequent events (Note 16)

Approved on behalf of the Directors:  
"John Begeman"  
Director

"Daniel Callow"  
Director

# African Gold Group Inc.

## Consolidated Statements of Operations and Comprehensive Loss

(Expressed in U.S. Dollars)

	Year ended December 31, 2020	Year ended December 31, 2019
<b>Expenses</b>		
Administrative and general	\$ 1,035,780	\$ 848,626
Consulting and personnel costs (Note 8)	3,342,220	2,077,804
Amortization (Note 6)	24,571	11,501
Foreign exchange loss	90,342	1,353,430
Share based payments (Notes 8, 9(c))	1,792,766	525,776
Net (loss) for the year	(6,285,679)	\$ (4,817,137)
<b>Other items</b>		
Gain on shares issued for debt settlement (Note 9(b))	-	(44,876)
Net (loss) for the year	\$ (6,285,679)	\$ (4,772,261)
<b>Other Comprehensive income (loss) - items that will subsequently reclassify into income (loss):</b>		
Foreign currency translation differences	170,904	1,307,014
Comprehensive (loss) for the year	\$ (6,114,775)	\$ (3,465,247)
Average weighted shares outstanding - basic and diluted	116,664,578	60,271,171
Basic and diluted (loss) per share (Note 10)	\$ (0.05)	\$ (0.08)

*The accompanying summary of significant accounting policies and notes are an integral part of the consolidated financial statements.*

**African Gold Group Inc.**  
**Consolidated Statements of Equity**  
(Expressed in U.S. Dollars)

	Common Shares		Share Based Payments	Warrants	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Equity
	#	\$	\$	\$	\$	\$	\$
<b>Balance, December 31, 2018</b>	47,944,342	54,608,270	503,328	2,130,420	(7,464,066)	(27,624,739)	22,153,213
Shares for debt settlement (Note 9(b))	266,666	30,054	-	-	-	-	30,054
Private placement (Note 9(b))	28,240,222	2,539,076	-	1,961,276	-	-	4,500,352
Share issuance costs	-	(304,471)	-	-	-	-	(304,471)
Cancellation of stock options	-	-	(449,025)	-	-	449,025	-
Expiry of stock options	-	-	(54,303)	-	-	54,303	-
Exercise of stock options	226,668	75,689	(37,001)	-	-	-	38,688
Grant of options	-	-	525,776	-	-	-	525,776
Broker warrants	-	(235,967)	-	235,967	-	-	-
Expiry of warrants	-	-	-	(86,193)	-	86,193	-
Exercise of warrants	1,500,000	446,548	-	(104,727)	-	-	341,821
Other comprehensive income	-	-	-	-	1,307,014	-	1,307,014
Net (loss) for the year	-	-	-	-	-	(4,772,261)	(4,772,261)
<b>Balance, December 31, 2019</b>	78,177,898	57,159,199	488,775	4,136,743	(6,157,052)	(31,807,479)	23,820,186
Private placement (Note 9(b))	70,257,050	8,708,938	-	3,341,594	-	-	12,050,532
Share issuance costs (Note 9(b))	-	(385,880)	-	-	-	-	(385,880)
Broker warrants (Note 9(d))	-	(169,855)	-	169,855	-	-	-
Option exercise	500,000	177,803	(88,538)	-	-	-	89,265
Warrant exercise	35,000	16,169	-	(10,715)	-	-	5,454
Share based payments (Note 9(c))	-	-	1,792,766	-	-	-	1,792,766
Expiry of stock options (Note 9(c))	-	-	(18,300)	(2,044,229)	-	2,062,529	-
Other comprehensive income	-	-	-	-	170,904	-	170,904
Net (loss) for the year	-	-	-	-	-	(6,285,679)	(6,285,679)
<b>Balance, December 31, 2020</b>	148,969,948	65,506,374	2,174,703	5,593,248	(5,986,148)	(36,030,629)	31,257,548

The accompanying summary of significant accounting policies and notes are an integral part of the consolidated financial statements.

# African Gold Group Inc.

## Consolidated Statement of Cash Flows

(Expressed in U.S. Dollars)

	Year ended December 31, 2020	Year ended December 31, 2019
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Net (loss) for the year	\$ (6,114,775)	\$ (3,465,247)
Items not involving cash:		
Amortization (Note 6)	24,571	11,501
Share-based compensation (Note 9(c))	1,792,766	525,776
Foreign exchange gain	-	73,778
Gain on shares issued for debt settlement	-	(44,876)
	<b>(4,297,438)</b>	<b>(2,899,068)</b>
Change in non-cash working capital items		
Receivables	35,081	3,151
Prepaid expenses	(129,145)	(50,929)
Accounts payable and accrued liabilities	(524,732)	982,333
Cash flows from operating activities	<b>(4,916,234)</b>	<b>(1,964,513)</b>
FINANCING ACTIVITIES		
Private placement (Note 9(b))	11,800,532	4,500,352
Share issue costs (Note 9(b))	(385,880)	(304,471)
Proceeds from exercise of options (Note 9(c))	89,265	38,688
Proceeds from exercise of warrants (Note 9(d))	5,454	341,821
Loan proceeds	-	370,000
Loan repayments	-	(370,000)
Cash flows from financing activities	<b>11,509,371</b>	<b>4,576,390</b>
INVESTING ACTIVITIES		
Investment in property, plant & equipment	(75,239)	(259,347)
Investment in exploration and evaluation asset	(6,275,671)	(1,766,491)
Cash flows from investing activities	<b>(6,350,910)</b>	<b>(2,025,838)</b>
Effect of movement in exchange rates on cash held	-	(73,778)
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	<b>242,227</b>	<b>512,261</b>
CASH AND CASH EQUIVALENTS, beginning of the year	<b>543,452</b>	<b>31,191</b>
CASH AND CASH EQUIVALENTS, end of the year	<b>\$ 785,679</b>	<b>\$ 543,452</b>
SUPPLEMENTAL INFORMATION:		
Issuance of finders and broker warrants	169,855	235,967
Debt settled on issuance of shares	-	74,930
Receivable on private placement	250,000	-

The accompanying summary of significant accounting policies and notes are an integral part of the consolidated financial statements.

## **1. NATURE OF BUSINESS**

African Gold Group, Inc. (the “Company” or “AGG”) was incorporated in Ontario, Canada on October 2, 2002, and is a gold exploration and development company engaged in the exploration and development of properties located in West Africa. The Company’s assets include mining licenses located in Mali, West Africa. The Company shares are listed on the TSX Venture Exchange trading under the symbol “AGG”. The address of the Company’s head office is 65 Queen Street West, Suite 805, Toronto, Ontario, Canada M5H 2M5.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company’s continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves and the achievement of the Company’s ability to dispose of its interests on an advantageous basis. Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest in accordance with industry standards to the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory requirements.

## **2. GOING CONCERN**

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Accordingly, the consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and meet its liabilities and commitments in other than the normal course of business and at amounts different from those in the consolidated financial statements.

The Company reported a net loss of \$6,285,679 for the year ended December 31, 2020 (December 31, 2019 - \$4,772,261) and a cashflow used in operations of \$4,916,234 (December 31, 2019 – \$1,964,513). At December 31, 2020, the Company has a working capital deficit of \$176,243 (December 31, 2019 – deficit of \$3,904,472). At present, the Company has no producing properties and consequently has no current operating income or cash flows.

The Company has a need for equity capital and financing for working capital and exploration and development of its properties. Because of continuing operating losses, the Company’s continuance as a going concern is dependent on its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation. The Company believes that it will be able to access funds from certain shareholders or potential investors in order to ensure that the Company can continue to fund on-going administrative expenses; however, the receipt of such funds remains uncertain. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms (Notes 9 and 16). These material uncertainties cast significant doubt on the Company’s ability to continue as a going concern. If the going concern assumption were not appropriate, material adjustments may be needed to these consolidated financial statements.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were authorized for issue by the Board of Directors on April 23, 2021.

#### **Basis of Measurement**

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. In addition, the financial statements have been prepared on an accrual bases, except for cash flow information. The consolidated financial statements are presented in United States dollars unless otherwise indicated.

#### **Principles of Consolidation**

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, AGG (Barbados) Limited (incorporated in Barbados), 2516232 Ontario Inc. (incorporated in Canada), AGG (Mali) S.A.R.L. and its 95% interest in Foroko Explorations S.A.R.L. ("Foroko") (incorporated in Mali, Africa) up to the date of dissolution of Foroko on September 30, 2020. All inter-company transactions and resulting balances have been eliminated on consolidation.

#### **Financial Instruments**

##### **Financial assets**

##### **Initial recognition and measurement**

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either fair value either through profit or loss ("FVPL") or through fair value of other comprehensive income ("FVOCI"), and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost.

##### **Subsequent measurement – financial assets at amortized cost**

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of operations and comprehensive loss. As at December 31, 2020 and 2019, the Company's cash and cash equivalents and receivables are measured at amortized cost.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Financial Instruments (continued)**

##### **Financial assets (continued)**

##### **Subsequent measurement – Financial assets at FVPL**

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of operations and comprehensive loss. As at December 31, 2020 and 2019, the Company does not have any financial assets classified as FVPL.

##### **Subsequent measurement – Financial assets at FVOCI**

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. As at December 31, 2020 and 2019, the Company does not have any financial assets classified at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of operations and comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss. Dividends from such investments are recognized in other income in the consolidated statements of loss when the right to receive payment is established.

##### **Derecognition**

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

##### **Impairment of financial assets**

The Company's only financial assets subject to impairment are receivables, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, receivables have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

#### **Financial liabilities**

##### **Initial recognition and measurement**

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long term debt, net of directly attributable transaction costs.

##### **Subsequent measurement – financial liabilities at amortized cost**

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. EIR amortization is included in finance cost in the consolidated statements of operations and comprehensive loss. As at December 31, 2020 and 2019, the carrying amounts for accounts payable and accrued liabilities are recorded at amortized cost.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Subsequent measurement – Financial liabilities at FVPL**

Financial liabilities measured at FVPL include any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial liabilities measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of operations and comprehensive loss. As at December 31, 2020 and 2019, the Company does not have any financial liabilities classified as FVPL.

#### **Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of operations and comprehensive loss.

#### **Fair value of financial instruments**

The Company measures fair value in accordance with IFRS 13 Fair Value Measurement, which provides a single source of fair value measurement guidance. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company has applied the framework for measuring fair value, which requires a fair value hierarchy to be applied to all fair value measurements

- Level 1 — valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.
- Level 2 — valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or corroborated by observable market data by correlation or other means.
- Level 3 — valuation techniques with significant unobservable market inputs.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash at financial institutions subject to an insignificant risk of change in value and amounts held in trust without restriction.

#### **Exploration and evaluation assets**

Pre-acquisition costs are expensed in the year in which they are incurred.

Once the legal right to explore a property has been acquired, all direct costs related to exploration and evaluation of mineral properties, net of incidental revenues, are capitalized under exploration and evaluation assets. Exploration and evaluation expenditures include such costs as the acquisition of rights to explore; sampling and surveying costs; costs related to topography, geology, geochemistry and geophysical studies; drilling costs and costs in relation to technical feasibility and commercial feasibility of extracting a mineral resource. These costs will be amortized against income using the unit-of-production method based on estimated recoverable reserves. The recorded amounts for exploration and evaluation assets represent actual expenditures incurred and are not intended to reflect present or future values. Costs not directly attributable to exploration and evaluation activities, including general and administrative costs, are expensed in the year in which they occur.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development, and on future profitable production or proceeds from the disposition thereof, all of which are uncertain.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Exploration and evaluation assets (continued)**

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the consolidated statement of operations.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to mines under development.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

#### **Income taxes**

Income tax on the profit or loss for the period presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to taxes payable with regards to previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. At the end of each reporting year, the Company reassesses unrecognized tax deferred assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Share based payments**

Where equity-settled share options are awarded to employees, directors and officers, the fair value of the options at the date of grant is charged to the consolidated statement of operations and comprehensive loss over the vesting period. Fair value is calculated using the Black-Scholes model. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statement of operations and comprehensive loss over the remaining vesting period.

The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period based on the Company's estimate of options that will eventually vest. The number of forfeitures likely to occur is estimated on grant date.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in Reserve - share based payments, until exercised or expired. Upon exercise, the shares are issued and the amount reflected in Reserve - share based payments is credited to share capital for any consideration paid. Upon expiry, the reserve of share-based payments and the accumulated deficit is reduced by the value of the options expired.

#### **Comprehensive income (loss)**

Comprehensive income includes net earnings (loss) and other comprehensive income (loss). Other comprehensive income includes currency gains and losses relating to the translating financial statements to the presentation currency of the Company.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Foreign currency transactions and translation**

The presentation currency is the U.S. dollar. African Gold Group Inc. and 2516263 Ontario Inc.'s functional currency is the Canadian dollar. The functional currency of the Company's remaining subsidiaries, AGG (Barbados) Limited, AGG (Mali) S.A.R.L., and Foroko Exploration S.A.R.L. is the U.S. dollar. References to CDN\$ represent Canadian dollars.

Accordingly, the accounts of the Company are translated to U.S. dollars, the Company's presentation currency, as follows:

- all of the assets and liabilities are translated at the rate of exchange in effect on the date of the consolidated statement of financial position;
- revenue and expenses are translated at the exchange rate approximating those in effect on the date of the transactions; and
- exchange gains and losses arising from translation are included in accumulated other comprehensive income (loss).

Transactions in currencies other than the respective functional currencies are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities that are denominated in foreign currencies are translated at the rate of exchange at the date of the consolidated statement of financial position while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the consolidated statement of operations.

#### **Loss per share**

Basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the year. Diluted loss per common share is computed by dividing the net loss by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments are converted during the year.

#### **Share capital**

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

#### **Property and equipment**

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment is subsequently measured at cost less accumulated amortization, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Property and equipment (continued)

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in consolidated statements of operations as incurred.

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. All other repairs and maintenance are charged to consolidated statements of operations during the financial year in which they are incurred.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in consolidated statements of operations.

Amortization is based on the cost of an asset less its residual value. Amortization is recognized in profit or loss over the estimated useful lives as follows:

Equipment	-	30% diminishing balance
Computer equipment		30% diminishing balance
Furniture and fixtures	-	20% diminishing balance
Building	-	4% diminishing balance

Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

#### Provisions

##### (a) General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of operations net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance expense in the consolidated statement of operations.

##### (b) Decommissioning and site rehabilitation

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The liability incorporates consideration of risk by way of adjusting the cash flows and is discounted using a risk-free discount rate. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and re-vegetation of affected areas.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Provisions (continued)**

##### **(b) Decommissioning and site rehabilitation (continued)**

The obligation is generally considered to have been incurred when the mine assets are constructed, or the environment is disturbed at the Company's operations. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased based on the unwind of the discount rate.

The periodic unwinding of the discount is recognized in the consolidated statement of loss as a finance cost. Additional disturbances or changes in rehabilitation costs attributable to development will be recognized as changes to the corresponding assets and rehabilitation liability when they occur.

Where a closure and environmental obligation arises from production activities, the costs are expensed as incurred because there are no associated economic benefits."

#### **Critical accounting estimates and judgments**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

#### **Judgments**

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements are discussed below:

##### *Going Concern*

As is common with exploration companies, the Company's ability to continue its on-going and planned exploration activities and continue operations as a going concern, is dependent upon the recoverability of costs incurred to date on mineral properties, the existence of economically recoverable reserves, and the ability to obtain necessary equity financing from time to time. The factors considered by management are disclosed in Note 2.

##### *Exploration and Evaluation Assets*

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.

##### *Title to Mineral Property Interests*

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Critical accounting estimates and judgments (continued)**

##### **Judgments (continued)**

###### *Functional Currency*

The determination of an entity's functional currency is a key judgment based on the primary economy environment in which each entity of the Company operates. In determining the functional currency, management considers the currency that most faithfully represents the economic effects of events, conditions, future direction and investment opportunities.

##### **Estimates**

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income (loss) in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

###### *Impairment*

Assets, including property and equipment, and exploration and evaluation assets, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts.

An impairment loss is recognized for the amount by which an asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates the higher of fair value less costs to sell and value in use. Determining the recoverable amount of property and equipment and exploration and evaluation assets requires management to make assumptions about future events and circumstances and cash flows. The actual results may vary and may cause significant adjustments to the Company's assets within the next financial year.

###### *Provisions and Contingencies*

Provisions and contingencies arising in the course of operations, including provisions for income or other tax matters are subject to estimation uncertainty. Management uses all information available in assessing the recognition, measurement and disclosure of matters that may give rise to provisions or contingencies. The actual outcome of various provisional and contingent matters may vary and may cause significant adjustments to the Company's assets when the amounts are determined or additional information is acquired.

###### *Share-based payment transactions*

The Company measures the cost of equity-settled transactions with employees and applicable non-employees by reference to the fair value of the equity instruments at the date at which they are vested. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, risk-free interest rates, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 9.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Critical accounting estimates and judgments (continued)**

##### **Estimates (continued)**

###### *Income, value added, withholding and other taxes*

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

###### *Decommissioning obligations*

The cost estimates are updated annually during the life of a project to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations) and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the property. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

##### **New accounting standards**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2020 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded.

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The adoption of IAS 1 on January 1, 2020 did not have a material impact on the Company's condensed interim consolidated financial statements.

##### **Recent accounting pronouncements not yet adopted:**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2021. Many are not applicable or do not have a significant impact to the Company and have been excluded.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Recent accounting pronouncements not yet adopted (continued):**

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”) was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

IFRS 3 – Business Combinations (“IFRS 3”) was amended. The amendments introduce new exceptions to the recognition and measurement principles in IFRS 3 to ensure that the update in references to the revised conceptual framework does not change which assets and liabilities qualify for recognition in a business combination. An acquirer should apply the definition of a liability in IAS 37 – rather than the definition in the Conceptual Framework – to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy in the scope of IFRIC 21, the acquirer should apply the criteria in IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. In addition, the amendments clarify that the acquirer should not recognize a contingent asset at the acquisition date. The amendments are effective for annual periods beginning on January 1, 2022.

IAS 16 – Property, Plant and Equipment (“IAS 16”) was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022.

### **4. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at banks and on hand earn interest at floating interest rates based on daily deposit rates. The Company had in cash \$785,679 as at December 31, 2020 (December 31, 2019 - \$543,452), of which \$nil (2019 - \$307,960) was held in a lawyer’s trust account. As at December 31, 2020 and 2019, the Company did not have any cash equivalents.

**AFRICAN GOLD GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the years ended December 31, 2020 and 2019  
(Expressed in U.S. Dollars)

**5. EXPLORATION AND EVALUATION ASSETS**

**Mali Concessions**

AGG holds certain exploration and operating permits for gold and other minerals in Mali, Africa. These permits are subject to renewal processes in 2021 and 2023 and expire in 2025.

<b>Kobada</b>	<b>December 31, 2020</b>		<b>December 31, 2019</b>	
Opening balance	\$	27,476,812	\$	23,624,076
Drilling and feasibility study		1,414,174		2,415,528
Project management/ engineering		1,700,339		744,276
Site development and maintenance		251,077		273,166
Camp		411,402		211,599
Geology		18,635		2,625
Assays and sampling		200,040		38,896
Technical report		-		-
Vehicle rent and maintenance		74,348		42,733
Travel		19,448		94,091
Security		129,353		830
Environmental		3,055		-
Permits		-		28,992
Other		(563,406)		-
Ending balance	\$	<b>31,135,277</b>	\$	27,476,812

**6. PROPERTY AND EQUIPMENT**

During the last quarter of 2019 and the year ended December 31, 2020, the Company was building a camp dormitory for workers to reside at the Kobada mine site. Furniture and equipment was also purchased for the camp.

<b>Cost</b>	<b>Equipment</b>		<b>Furniture and fixture</b>		<b>Computer equipment</b>		<b>Building</b>		<b>Total</b>	
Cost at December 31, 2018	\$	-	\$	-	\$	-	\$	-	\$	-
Additions		47,370		17,118		-		194,859		259,347
Cost at December 31, 2019	\$	47,370	\$	17,118	\$	-	\$	194,859	\$	259,347
Additions		-		-		1,689		73,550		75,239
Cost at December 31, 2020	\$	47,370	\$	17,118	\$	1,689	\$	268,409	\$	334,586
<b><u>Accumulated Amortization</u></b>										
Balance at December 31, 2018	\$	-	\$	-	\$	-	\$	-	\$	-
Additions		7,106		1,712		-		2,683		11,501
Balance at December 31, 2019	\$	7,106	\$	1,712	\$	-	\$	2,683	\$	11,501
Additions		12,079		3,081		253		9,158		24,571
Balance at December 31, 2020	\$	19,185	\$	4,793	\$	253	\$	11,841	\$	36,072
Net book value at December 31, 2019	\$	40,264	\$	15,406	\$	-	\$	192,176	\$	247,846
<b>Net book value at December 31, 2020</b>	<b>\$</b>	<b>28,185</b>	<b>\$</b>	<b>12,325</b>	<b>\$</b>	<b>1,436</b>	<b>\$</b>	<b>256,568</b>	<b>\$</b>	<b>298,514</b>

**AFRICAN GOLD GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the years ended December 31, 2020 and 2019  
(Expressed in U.S. Dollars)

**7. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES**

	<b>December 31, 2020</b>	December 31, 2019
Exploration and development suppliers and contractors	\$ <b>512,230</b>	\$ 2,392,363
Corporate payables	<b>975,491</b>	1,451,844
Mali VAT	<b>110,230</b>	673,637
Licence fee	-	24,450
<b>Total accounts payable</b>	<b>\$ 1,597,951</b>	\$ 4,542,294

**8. RELATED PARTY TRANSACTIONS**

In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

Stan Bharti, former CEO and Chairman of the Company, is the Executive Chairman of Forbes & Manhattan, Inc. (“F&M”), a corporation that provides administrative and consulting services to the Company, including but not limited to strategic planning and business development. F&M charges a monthly consulting fee of CDN\$25,000 (\$18,462) totaling CDN\$300,000 (\$223,630) for the year ended December 31, 2020 (December 31, 2019 - CDN\$300,000 (\$226,110)). During the year ended December 31, 2020, F&M was paid a bonus of \$nil (December 31, 2019 – CDN\$200,000 (\$150,740) in addition to the consulting fee. As of December 31, 2020, CDN\$53,250 (\$41,824) (December 31, 2019 - CDN\$113,000 (\$87,000)) was owed to F&M. Included in accounts payable as at December 31, 2020 is CDN\$250,048 (\$196,393) (December 31, 2019 - CDN\$215,000 (\$165,529)) owed to other key management personnel for consulting and directors fees. The amounts owing are unsecured, non-interest bearing and due on demand.

During the year ended December 31, 2020, the Company issued a total of 6,100,000 stock options to directors and officers of the Company (December 31, 2019 – 4,110,000) and recorded \$1,490,249 in share-based payments (December 31, 2019 - \$335,696) in relation to the amortization of the estimated fair value of options granted during the years ended December 31, 2020 and 2019 (see note 9(c)).

On January 31, 2020, Stan Bharti, former CEO and Chairman of the Company subscribed for 179,500 units of the Company (see Note 9(b)). On April 23, 2020, F&M, subscribed for 1,400,000 units of the Company and other key management personnel subscribed for 150,000 units of the Company (see Note 9(b)). On July 29, 2020, key management personnel subscribed for 500,000 units of the Company (see Note 9(b)). On August 10, 2020, key management personnel subscribed for 2,410,000 units of the Company. On July 29, 2020, Sulliden Mining Capital Inc., a company for which Stan Bharti is interim CEO and Ryan Ptolemy is CFO, acquired a total of 4,000,000 units of the Company (see Note 9(b)).

The remuneration of directors and key management of the Company was as follows:

	<b>Year ended December 31, 2020</b>	Year ended December 31, 2019
Remuneration	\$ <b>1,556,680</b>	\$ 810,339
Share-based payments	<b>1,490,249</b>	335,696
<b>Short term employee benefits</b>	<b>\$ 3,046,928</b>	\$ 1,146,035

See Notes 11 and 16.

**9. SHARE CAPITAL, RESERVE FOR SHARE BASED PAYMENTS AND WARRANTS**

**a) Shares authorized**

The Company is authorized to issue an unlimited number of common shares with no par value. The holders of common shares are entitled to receive dividends which are declared from time to time and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

On April 15, 2019, the Company received TSX Venture Exchange approval to consolidate its common shares. One new common share of the Company was issued for up to every 7.5 previously existing common share of the Company. The principal effects of the consolidation was that the number of shares of the Company issued and outstanding was consolidated from 361,582,671 existing common shares prior to consolidation to 48,211,008 new common shares after consolidation. The consolidation of common shares, options, warrants and related share amounts have been reflected retrospectively in these consolidated financial statements.

**b) Share transactions**

	Number of shares	\$
Balance as of December 31, 2018	47,944,342	54,608,270
Shares for debt	266,666	30,054
Private placement	28,240,222	2,539,076
Share issuance costs	-	(304,471)
Broker warrants issued	-	(235,967)
Exercise of options	226,668	75,689
Exercise of warrants	1,500,000	446,548
Balance as of December 31, 2019	78,177,898	57,159,199
Private placement	70,257,050	8,708,938
Share issuance costs	-	(385,880)
Broker warrants issued	-	(169,855)
Exercise of options	500,000	177,803
Exercise of warrants	35,000	16,169
Balance as of December 31, 2020	148,969,948	65,506,374

On March 5, 2019, pursuant to an engagement agreement entered into with an arm's length service provider, the Company issued 266,666 common shares of the Company at a deemed price of CDN\$0.375 per common share in full and final settlement of the CDN\$100,000 (\$74,930) owing to a service provider. The common shares were subject to a statutory hold period of four months and one day from the date of issuance.

On June 28, 2019, the Company closed a non-brokered private placement for 13,999,191 units at a price of CDN\$0.21 per unit for gross proceeds of CDN\$2,939,830 (\$2,246,324). Each unit consists of one common share of the Company and one common share purchase warrant, entitling the holder to acquire one additional regular common share at an exercise price of CDN\$0.30 for a period of 24 months from issuance. In connection with the offering, the Company paid finder's fees of \$179,474 in cash and issued 166,110 non-transferable finder's warrants. Each finder's warrant will entitle the holder thereof to acquire one common share at a price of CDN\$0.30 at any time prior to June 28, 2021. The issue date fair value of the warrants and finder's warrants were estimated at \$977,408 and \$22,681 respectively using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility based on the historical volatility of the Company's shares of 203%; risk-free interest rate of 1.44% and an expected life of 2 years. Directors, officers and related companies participated and acquired a total of 10,626,191 units of this private placement for gross proceeds of CDN\$2,231,500 (\$1,705,089).

**9. SHARE CAPITAL, RESERVE FOR SHARE BASED PAYMENTS AND WARRANTS (continued)**

**b) Share transactions (continued)**

On August 27, 2019, the Company closed a non-brokered private placement for 14,241,031 units at a price of CDN\$0.21 per unit for gross proceeds of CDN\$2,990,617 (\$2,254,028). Each unit consists of one common share of the Company and one common share purchase warrant, entitling the holder to acquire one additional regular common share at an exercise price of CDN\$0.30 for a period of 24 months from issuance. In connection with the offering, the Company paid finder's fees of \$124,997 in cash and issued 696,723 non-transferable finder's warrants. Each finder's warrant will entitle the holder thereof to acquire one common share at a price of CDN\$0.30 at any time prior to August 27, 2021. The issue date fair value of the warrants and finder's warrants were estimated at \$983,869 and \$213,286 respectively using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility based on the historical volatility of the Company's shares of 204%; risk-free interest rate of 1.39% and an expected life of 2 years. Directors, officers and related companies participated and acquired a total of 200,000 units of this private placement for gross proceeds of CDN\$42,000 (\$31,655).

On December 12, 2019, 226,668 shares were issued as a result of exercise of stock options at CDN\$0.225 per common share. On December 20, 2019, 1,500,000 shares were issued as a result of exercise of stock warrants at CDN\$0.30 per common share.

On January 31, 2020, the Company closed a non-brokered private placement of common shares for gross proceeds of CDN\$1,500,000 (\$1,133,530). The Company issued 7,500,000 units at a price of CDN\$0.20 per unit. Each unit consists of one common share of the Company and one half of a common share purchase warrant. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of CDN\$0.25 per common share until January 31, 2022. In connection with the closing of the non-brokered private placement, the Company has paid aggregate finder's fees of CDN\$37,150 (\$28,074) in cash and 182,275 finder's warrants to certain finders. Each finder warrant will entitle the holder thereof to purchase one common share at a price of CDN\$0.25 for a period of 24 months from the date of the closing. The issue date fair value of the warrants and finder's warrants were estimated at \$322,524 and \$20,131 respectively using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility based on the historical volatility of the Company's shares of 198%; risk-free interest rate of 1.43%, a share price of \$0.15 and an expected life of 2 years. The Company incurred additional costs of issue of CDN\$28,467 (\$21,600). A director of the Company participated and acquired a total of 179,500 units of this private placement for gross proceeds of CDN\$35,900 (\$27,130).

On March 10, 2020, the Company closed the second and final tranche of the previously announced CDN\$2 million non-brokered private placement financing of common shares for gross proceeds of CDN\$684,210 (\$498,310). Together with the closing of the first tranche of the offering, the Company raised gross proceeds of CDN\$2,184,210 (\$1,631,480). Pursuant to the final tranche, the Company issued 3,421,050 units of the Company at a price of CDN\$0.20 for gross proceeds of CDN\$684,210 (\$498,310). Each unit consists of one common share of the Company and one-half of a common share purchase warrant. Each whole warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of CDN\$0.25 per common share until March 9, 2022. In connection with the closing of the final tranche, the Company has paid aggregate finders' fees of CDN\$27,500 (\$20,028) in cash. The issue date fair value of the warrants was estimated at \$140,303 using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility based on the historical volatility of the Company's shares of 194%; risk-free interest rate of 0.53% and an expected life of 2 years.

**9. SHARE CAPITAL, RESERVE FOR SHARE BASED PAYMENTS AND WARRANTS (continued)**

**b) Share transactions (continued)**

On March 17, 2020, the Company closed the first tranche of an announced non-brokered private placement financing of common shares for gross proceeds of CDN\$250,000 (\$176,375). Pursuant to the first tranche, the Company issued 1.25 million units of the Company at a price of CDN\$0.20 per unit for gross proceeds of CDN\$250,000 (\$176,375). Each unit consists of one common share of the Company and one-half of a common share purchase warrant. Each whole warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of CDN\$0.25 per common share until March 17, 2022. In connection with the closing of the first tranche, the Company has paid aggregate finders' fees of CDN\$12,500 (\$8,819) in cash. The issue date fair value of the warrants was estimated at \$49,773 using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility based on the historical volatility of the Company's shares of 195%; risk-free interest rate of 0.63%, a share price of \$0.15 and an expected life of 2 years.

On April 23, 2020, the Company closed the second and final tranche of a non-brokered private placement financing of common shares for gross proceeds of CDN\$2,750,000 (\$1,948,284). Pursuant to the final tranche, the Company issued 13,750,000 units of the Company. Each unit consists of one common share of the Company and one-half of a common share purchase warrant. Each whole warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of CDN\$0.25 per common share until April 23, 2022. In connection with the closing of the final tranche, the company has paid aggregate finders' fees of CDN\$34,000 (\$24,087) in cash and issued 140,000 finders warrants to certain finders. Each finder warrant will entitle the holder to purchase one common share of the Company at a price of CDN\$0.25 at any time prior to April 23, 2022. The issue date fair value of the warrants and finder's warrants were estimated at \$555,675 and \$11,881 respectively using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility based on the historical volatility of the Company's shares of 199%; risk-free interest rate of 0.33%, a stock price of CDN\$0.15 and an expected life of 2 years. The Company incurred additional costs of issue of CDN\$34,000 (\$24,087). A company for which a director of the Company is executive chairman participated and acquired a total of 1,400,000 units of this private placement for gross proceeds of CDN\$280,000 (\$198,371) (See Note 8). Other key management subscribed for 150,000 units of the Company for gross proceeds of CDN\$30,000 (\$21,254).

On July 29, 2020, the Company closed the first tranche of a non-brokered private placement financing issuing 22,360,000 units of the Company at a price of CDN\$0.25 per unit for gross proceeds of CDN\$5,590,000 (\$4,184,417). Each unit consists of one common share of the Company and one half of one common share purchase warrant with each full warrant entitling the holder to acquire one additional share of the Company at an exercise price of CDN\$0.40 for a period of 24 months from the date of issue. In connection with the closing of the First Tranche, the Company has paid aggregate finder's fees of \$110,975 in cash and issued 510,000 finders warrants with exercise prices of CDN\$0.25 and 83,000 finders warrants with exercise prices of CDN\$0.40 to certain finders. The issue date fair value of the warrants and finder's warrants were estimated at \$1,146,375 and \$53,756 respectively using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility based on the historical volatility of the Company's shares of 200%; risk-free interest rate of 0.26%, a stock price of CDN\$0.15 and an expected life of 2 years. Directors of the Company participated and acquired a total of 500,000 units of this private placement for gross proceeds of CDN\$125,000. In addition, Sulliden Mining Capital Inc., a company for which Stan Bharti is interim CEO and Ryan Ptolemy is CFO, acquired a total of 4,000,000 units of the Company in this private placement for gross proceeds of CDN\$1,000,000 (see Note 8).

**9. SHARE CAPITAL, RESERVE FOR SHARE BASED PAYMENTS AND WARRANTS (continued)**

**b) Share transactions (continued)**

On August 10, 2020, the Company closed, the second and final tranche of its non-brokered private placement financing issuing 21,976,000 units of the Company for gross proceeds of CDN\$5,494,000 (\$4,109,616). Each unit consists of one common share of the Company and one-half of a common share purchase warrant. Each whole warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of CDN\$0.40 until Aug. 10, 2022. In connection with the closing of the final tranche, the Company has paid aggregate finders' fees of \$172,297 in cash and issued 818,600 finders' warrants with exercise prices of CDN\$0.25 and 107,750 finders warrants with exercise prices of CDN\$0.40 to certain finders. The issue date fair value of the warrants and finder's warrants were estimated at \$1,126,944 and \$84,087 respectively using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility based on the historical volatility of the Company's shares of 200%; risk-free interest rate of 0.27%, a stock price of CDN\$0.15 and an expected life of 2 years. Certain directors and officers of the Company purchased or acquired direction and control over a total of 2,410,000 units of the Company under the final tranche for gross proceeds of \$602,500 (see Note 8).

**c) Stock options**

On April 15, 2019, the Company received TSX Venture Exchange approval to consolidate its common shares. One new common share of the Company was issued for every 7.5 previously existing common share of the Company. The consolidation of options has been reflected retrospectively in these consolidated financial statements.

The Company has a Stock Option Plan (the "Plan") for its directors, officers, consultants and key employees under which the Company may grant options to acquire a maximum number of 14,896,995 (December 31, 2019 – 7,817,789) common shares, representing approximately 10% of the total issued and outstanding common shares of the Company. These options are non-transferrable and are valid for a maximum of 5 years from the date of issue. Vesting terms and conditions are determined by the Board of Directors at the time of the grant. The exercise price of the options is fixed by the Board of Directors of the Company at the time of the grant at the market price of the common shares, subject to all regulatory requirements. Expected volatility has been determined using the share price of the Company for the period equivalent to the life of the options prior to grant date.

For options issued to employees, directors and officers, the fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Options issued to non-employees are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted, using a valuation model.

On June 3, 2019, the Company granted 2,690,002 options to directors, officers and consultants of the Company with an exercise price of CDN\$0.225 per share. Half of the options vested immediately while the other half of the options vested on June 3, 2020. The fair market value of the options vested was estimated to be CDN\$491,550 (\$364,527) using the Black Scholes option pricing model based on the following assumptions: risk-free rate of 1.29%, expected volatility of 170%, an estimated life of 5 years and an expected dividend yield of 0%.

On June 14, 2019, 1,716,666 options were cancelled.

On June 24, 2019, 266,667 options expired, unexercised.

## **9. SHARE CAPITAL, RESERVE FOR SHARE BASED PAYMENTS AND WARRANTS (continued)**

### **c) Stock options (continued)**

On August 7, 2019, the Company granted 800,000 options to directors, officers and consultants of the Company with an exercise price of CDN\$0.25 per common share. The options vested immediately. The fair market value of the options vested was estimated to be CDN\$188,731 (\$141,661) using the Black Scholes option pricing model based on the following assumptions: risk-free rate of 1.21%, expected volatility of 170%, an estimated life of 5 years and an expected dividend yield of 0%.

On August 13, 2019, the Company granted 2,000,000 options to an officer of the Company with an exercise price of CDN\$0.25 per common share. The options vest as follows: 25% vest upon the completion of bankable feasibility study, 25% vest upon approval of the EIA and permits, 25% vest upon the start of construction and 25% vest upon the completion of construction. The fair market value of the options vested was estimated to be CDN\$395,147 (\$296,597) using the Black Scholes option pricing model based on the following assumptions: risk-free rate of 1.24%, expected volatility of 170%, an estimated life of 5 years and an expected dividend yield of 0%.

On October 10, 2019, 101,667 options were cancelled.

On December 12, 2019, 226,667 options were exercised at CDN\$0.225 per common share.

On March 2, 2020, the Company granted a total of 1.2 million stock options to a consultant of the Company pursuant to the Company's stock option plan. Half of the stock options vested immediately and the remainder vest on the first anniversary of the grant. Each stock option may be exercised at a price of CDN\$0.20 per option for a period of five years from the date of grant. The fair market value of the options vested was estimated to be CDN\$206,165 (\$154,356) using the Black Scholes option pricing model based on the following assumptions: risk-free rate of 1.07%, expected volatility of 165%, an estimated life of 5 years, a stock price of CDN\$0.20 and an expected dividend yield of 0%.

On April 21, 2020, the Company granted a total of 100,000 stock options to certain consultants of the Company pursuant to the Company's stock option plan. Half of the stock options vested immediately and the remainder vest on the first anniversary of the grant. Each stock option may be exercised at a price of CDN\$0.24 per option for a period of five years from the date of grant. The fair market value of the options vested was estimated to be CDN\$19,109 (\$13,464) using the Black Scholes option pricing model based on the following assumptions: risk-free rate of 0.41%, expected volatility of 167%, an estimated life of 5 years, a stock price of CDN\$0.24 and an expected dividend yield of 0%.

On May 8, 2020 and May 14, 2020, 250,000 and 250,000, respectively, options were exercised at CDN\$0.25 per common share. The share price on the date of exercise was \$0.32 per common share.

On August 10, 2020, the Company granted a total of 6,375,000 stock options to certain directors, officers and consultants of the Company pursuant to the Company's stock option plan. All options vested immediately, and each stock option may be exercised at a price of CDN\$0.28 per option for a period of five years from the date of grant. The fair market value of the options vested was estimated to be CDN\$1,666,764 (\$1,246,771) using the Black Scholes option pricing model based on the following assumptions: risk-free rate of 0.33%, expected volatility of 164%, an estimated life of 5 years, a stock price of CDN\$0.28 and an expected dividend yield of 0%.

On August 19, 2020, the Company granted a total of 250,000 stock options to a consultant of the Company pursuant to the company's stock option plan. All options vested immediately, and each stock option may be exercised at a price of CDN\$0.28 per option for a period of five years from the date of grant. The fair market value of the options vested was estimated to be CDN\$62,897 (\$47,750) using the Black Scholes option pricing model based on the following assumptions: risk-free rate of 0.39%, expected volatility of 163%, an estimated life of 5 years, a stock price of CDN\$0.27 and an expected dividend yield of 0%.

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**9. SHARE CAPITAL, RESERVE FOR SHARE BASED PAYMENTS AND WARRANTS (continued)**

**c) Stock options (continued)**

As at December 31, 2020, the Company had the following stock options outstanding:

<b>Date of grant</b>	<b>Options outstanding</b>	<b>Options exercisable</b>	<b>Exercise price (CDN\$)</b>	<b>Expiry date</b>	<b>Remaining life in years</b>
June 3, 2019	2,248,334	2,248,334	\$ 0.23	June 3, 2024	3.42
August 7, 2019	300,000	300,000	0.25	August 7, 2024	3.60
August 13, 2019	2,000,000	500,000	0.25	August 13, 2024	3.62
March 2, 2020	1,200,000	600,000	0.20	March 2, 2025	4.17
April 21, 2020	100,000	50,000	0.24	April 21, 2025	4.31
August 10, 2020	6,375,000	6,375,000	0.28	August 10, 2025	4.61
August 19, 2020	250,000	250,000	0.28	August 19, 2025	4.64
	<u>12,473,334</u>	<u>10,323,334</u>			<u>4.17</u>

A summary of the Company's stock option activity during the year is as follows:

	<b>Year ended December 31, 2020</b>		<b>Year ended December 31, 2019</b>	
	<b>Number of options</b>	<b>Weighted average exercise price (CDN\$)</b>	<b>Number of options</b>	<b>Weighted average exercise price (CDN\$)</b>
Balance, beginning of year	<b>5,161,668</b>	<b>\$ 0.24</b>	1,983,333	\$ 0.53
Forfeited	<b>(113,334)</b>	<b>0.23</b>	(1,716,666)	0.56
Expired	-	-	(266,667)	0.45
Granted	<b>7,925,000</b>	<b>0.27</b>	5,490,002	0.24
Exercised	<b>(500,000)</b>	<b>0.25</b>	(226,667)	0.23
Cancelled	-	-	(101,667)	0.24
<b>Balance, end of year</b>	<b>12,473,334</b>	<b>\$ 0.26</b>	<b>5,161,668</b>	<b>\$ 0.24</b>

**d) Warrants**

On April 15, 2019, the Company received TSX Venture Exchange approval to consolidate its common shares. One new common share of the Company was issued for every 7.5 previously existing common share of the Company. The consolidation of warrants has been reflected retrospectively in these consolidated financial statements.

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**9. SHARE CAPITAL AND RESERVE FOR SHARE BASED PAYMENTS (continued)**

**d) Warrants (continued)**

The Company has warrants outstanding entitling the holder to purchase one common share with each warrant exercisable per the terms below:

<b>Date of issuance</b>	<b>Warrants</b>	<b>Exercise Price (CDN\$)</b>	<b>Expiry Date</b>	<b>Estimated Fair Value at Grant Date</b>	<b>Remaining life in years</b>
June 28, 2019	12,499,191	\$0.30	June 28, 2021	872,679	0.49
June 28, 2019	166,110	\$0.30	June 28, 2021	22,681	0.49
August 27, 2019	14,241,031	\$0.30	August 21, 2021	983,869	0.64
August 27, 2019	661,723	\$0.30	August 21, 2021	202,570	0.64
January 31, 2020	3,932,275	\$0.25	January 31, 2022	342,655	1.08
March 9, 2020	1,710,525	\$0.25	March 9, 2022	140,303	1.19
March 17, 2020	625,000	\$0.25	March 17, 2022	49,773	1.21
April 23, 2020	7,015,000	\$0.25	April 23, 2022	567,556	1.31
July 29, 2020	510,000	\$0.25	July 29, 2022	46,607	1.58
July 29, 2020	11,263,000	\$0.40	July 29, 2022	1,153,524	1.58
August 10, 2020	818,600	\$0.25	August 10, 2022	74,804	1.61
August 10, 2020	11,095,750	\$0.40	August 10, 2022	1,136,227	1.61
	<b>64,538,205</b>	<b>\$0.32</b>		<b>5,593,248</b>	

During the year ended December 31, 2020, 9,976,959 warrants expired on April 24, 2020. For the year ended December 31, 2019, 454,222 warrants expired on April 24, 2019.

On June 28, 2019, the Company closed a non-brokered private placement for 13,999,191 units. Each unit consists of one common share of the Company and one common share purchase warrant, entitling the holder to acquire one additional regular common share at an exercise price of CDN\$0.30 for a period of 24 months from issuance. In connection with the financing, the Company issued 166,110 broker warrants with a grant date fair value of CDN\$29,683 (\$22,681), an exercise price of CDN\$0.30 and an expiry date of June 28, 2021.

On August 27, 2019, the Company closed a non-brokered private placement for 14,241,031 units. Each unit consists of one common share of the Company and one common share purchase warrant, entitling the holder to acquire one additional regular common share at an exercise price of CDN\$0.30 for a period of 24 months from issuance. In connection with the financing, the Company issued 696,723 broker warrants with a grant date fair value of CDN\$282,985 (\$213,285), an exercise price of CDN\$0.30 and an expiry date of August 21, 2021.

On December 20, 2019, 1,500,000 warrants were exercised at CDN\$0.30 per common share.

On January 31, 2020, the Company closed a non-brokered private placement of 7,500,000 units. Each unit consists of one common share of the Company and one half of a common share purchase warrant entitling the holder to acquire one additional common share of the Company at an exercise price of CDN\$0.25 per common share until January 31, 2022. In connection with the closing of the non-brokered private placement, the Company issued 182,275 finder's warrants with a grant date fair value of CDN\$26,640 (\$20,131).

**9. SHARE CAPITAL AND RESERVE FOR SHARE BASED PAYMENTS (continued)**

**d) Warrants (continued)**

On March 10, 2020, the Company closed the second and final tranche of the previously announced \$2-million non-brokered private placement financing of common shares for gross proceeds of CDN\$684,210 (\$498,310). Pursuant to the final tranche, the Company issued 3,421,050 units of the Company. Each unit consists of one common share of the Company and one-half of a common share purchase warrant. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of CDN\$0.25 per common share until March 9, 2022.

On March 17, 2020, the Company closed the first tranche of an announced non-brokered private placement financing of common shares for gross proceeds of CDN\$250,000 (\$176,375). Pursuant to the first tranche, the Company issued 1.25 million units of the Company at a price of CDN\$0.20 per. Each unit consists of one common share of the Company and one-half of a common share purchase warrant. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of CDN\$0.25 per common share until March 17, 2022.

On April 23, 2020, the Company closed the second tranche of a non-brokered private placement financing of common shares for gross proceeds of CDN\$2,750,000 (\$1,948,284). Pursuant to the second tranche, the Company issued 13,750,000 units of the Company at a price of CDN\$0.20 per unit. Each unit consists of one common share of the Company and one-half of a common share purchase warrant. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of CDN\$0.25 per common share until April 23, 2022. In connection with the financing, the Company issued 140,000 broker warrants with a grant date fair value of CDN\$40,518 (\$28,706), an exercise price of CDN\$0.25 and an expiry date of April 23, 2022.

On July 29, 2020, the Company closed the first tranche of a non-brokered private placement financing issuing 22,360,000 units of the Company at a price of CDN\$0.25 per unit for gross proceeds of CDN\$5,590,000 (\$4,184,417). Each unit consists of one common share of the Company and one half of one common share purchase warrant with each full warrant entitling the holder to acquire one additional share of the Company at an exercise price of CDN\$0.40 for a period of 24 months from the date of issue. In connection with the closing of the First Tranche, the Company issued 510,000 finders warrants with exercise prices of CDN\$0.25 and 83,000 finders warrants with exercise prices of CDN\$0.40 to certain finders.

On August 10, 2020, the Company closed, the second and final tranche of its non-brokered private placement financing issuing 21,976,000 units of the Company for gross proceeds of CDN\$5,494,000 (\$4,109,616). Each unit consists of one common share of the Company and one-half of a common share purchase warrant. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of CDN\$0.40 until Aug. 10, 2022. In connection with the closing of the final tranche, the Company issued 818,600 finders' warrants with exercise prices of \$0.25 and 107,750 finders warrants with exercise prices of \$0.40 to certain finders.

## 10. BASIC AND DILUTED LOSS PER SHARE

Diluted loss per share, which reflects the maximum possible dilution from the potential exercise of outstanding stock options and warrants is the same as basic loss per share. For the 2020 and 2019 years presented, the conversion of stock options and warrants was not included in the diluted loss per share calculation because the calculation would be anti-dilutive. The potentially dilutive shares excluded from the loss per share calculation due to anti-dilution are as follows:

	December 31, 2020	December 31, 2019
Options	12,473,334	5,161,668
Share purchase warrants	64,538,205	37,580,014
	<b>77,011,539</b>	<b>42,741,682</b>

## 11. CONTINGENCIES AND COMMITMENTS

### Management Commitments

The Company is party to certain management contracts. As at December 31, 2020, these contracts require payments of approximately CDN\$3,122,900 (\$2,452,830) to be made upon the occurrence of a change of control to the officers and consultants of the Company. The Company is also committed to payments upon termination of approximately CDN\$1,650,400 (\$1,296,260) pursuant to the terms of these contracts as at December 31, 2020. As a triggering event has not taken place at December 31, 2020, these amounts have not been recorded in these consolidated financial statements. See Note 16.

### Environmental

The Company's exploration and evaluation activities are subject to laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its activities are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

### Novel Coronavirus ("COVID-19")

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations. COVID-19 has not had a material affect on the Company to date.

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**12. INCOME TAXES**

**a) Provision for Income Taxes**

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2019 - 26.5%) were as follows:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
(Loss) before income taxes	(6,285,679)	(4,772,261)
Expected income tax recovery based on statutory rate	(1,666,000)	(1,265,000)
Adjustment to expected income tax benefit:		
Share-based payments	475,000	144,000
Differences in tax rate	4,000	98,000
Expenses not deductible for tax purposes	26,000	385,000
Losses expired/changes	2,000	208,000
Foreign currency difference	(131,000)	(325,000)
Change in benefit of tax assets not recognized	1,290,000	755,000
Deferred income tax provision (recovery)	-	-

**b) Deferred Income Tax**

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Property and equipment	16,000	16,000
Non-capital loss carry forward	26,508,000	21,660,000
Share issuance costs	855,000	568,000
Exploration and evaluation assets	5,111,000	5,010,000
Total	32,490,000	27,254,000

**12. INCOME TAXES (continued)**

**a) Deferred Income Tax (continued)**

As at December 31, 2020, the Company has non-capital losses in Canada of approximately \$26,508,000 that may be carried forward to reduce taxable income derived in future years. The tax losses will expire as follows:

<u>Year of Expiry</u>	<u>\$</u>
2021	82,000
2022	269,000
2026	1,286,000
2027	1,636,000
2028	857,000
2029	1,445,000
2030	2,154,000
2031	1,178,000
2032	1,638,000
2033	618,000
2034	1,511,000
2035	1,256,000
2036	1,345,000
2037	2,060,000
2038	1,414,000
2039	2,911,000
2040	4,848,000
	<u>\$ 26,508,000</u>

**13. CAPITAL MANAGEMENT**

AGG manages its shareholders' equity as capital, making adjustments based on available funds, 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 to which the Company currently has an interest are in the exploration stage and as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration as well as satisfy administrative costs, the Company will spend its existing working capital and raise additional funds as needed. AGG will continue to assess new properties should sufficient geological or economic potential be demonstrated and if the Company has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the current size of the Company. There were no changes to its capital management approach during the year ended December 31, 2020 or the year ended December 31, 2019. Neither AGG nor its subsidiaries are subject to externally imposed capital requirements, other than those of the TSX Venture Exchange ("TSXV"), which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of nine months. As at December 31, 2020, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

### **13. CAPITAL MANAGEMENT (continued)**

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company has no external debt other than its accounts payable and accrued liabilities and is dependent on the capital markets to finance exploration and development activities.

### **14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Liquidity Risk
- Credit Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in the note.

#### **General Objectives, Policies and Processes**

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

#### **Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk and commodity price risk.

##### *Foreign Currency Risk*

Given the global nature of the Company's business, the Company's operating businesses, financial reporting results and cash flows are exposed to risks associated with foreign currency fluctuations. For the year ended December 31, 2020, management estimates that if the United States Dollar had weakened or strengthened by 10% against the Canadian dollar and Mali CFA, assuming all other variables remained constant, the net loss would have increased or decreased by approximately \$92,462. Included in cash and cash equivalents is \$960,000 (December 31, 2019 - \$620,000), receivables is \$324,600 (December 31, 2019 - \$52,000), and accounts payable and accrued liabilities is \$1,160,000 (December 31, 2019 - \$1,690,000) denominated in Canadian dollars. Included in cash and cash equivalents is 16,090,040 (2019 - 36,655,248) denominated in West African francs.

#### **14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

##### **Market Risk (continued)**

###### *Interest Rate Risk*

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. Sensitivity to a plus or minus 1% change in the interest rates could impact any renewals or extensions of term deposits which would have no significant impact on the net loss due to the immateriality of the interest earned.

###### *Commodity Price Risk*

The ability of the Company to develop its mineral properties and the future profitability of the Company is directly related to the market price of precious metals. The Company closely monitors commodity prices to determine the appropriate course of action to be taken. Based on management's knowledge and expertise of the financial markets, the Company believes that commodity price risk is remote as the Company is not a producing entity.

##### **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

At December 31, 2020, AGG had a cash balance of \$785,679 (December 31, 2019 - \$543,452) and current liabilities of \$1,597,951 (December 31, 2019 - \$4,542,294). As outlined in Note 2, the Company may be required to obtain additional financing for working capital and continued exploration and development of its properties.

##### **Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk in its cash and cash equivalents and receivables. The maximum credit risk represented by the Company's financial assets is represented by their carrying amounts. Concentration of credit risk exists with respect to the Company's cash and cash equivalents as substantially the entire amount is held at a single major Canadian financial institution. Credit risk on cash and cash equivalents is minimized by depositing with only reputable financial institutions. Management has reviewed the receivable balances and determined that the balances are collectible as they are Harmonized Sales Tax (HST) rebates from the Government of Canada; accordingly, there have been no expected credit losses recorded.

#### 14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

##### Determination of Fair Value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The consolidated statements of financial position carrying amounts for cash and cash equivalents, receivables, and accounts payable and accrued liabilities approximate fair value due to their short-term nature.

#### 15. SEGMENTED INFORMATION

The Company operates where its head office is located and Mali where its exploration and evaluation assets and property, plant and equipment are located. Information about the Company's assets by geographical location is detailed below:

	December 31, 2019		
	Canada	Mali	Total
Current assets	\$ 572,890	\$ 64,932	\$ 637,822
Exploration and evaluation assets	-	27,476,812	27,476,812
Property and equipment	-	247,846	247,846
<b>Total</b>	<b>\$ 572,890</b>	<b>\$ 27,789,590</b>	<b>\$ 28,362,480</b>

	December 31, 2020		
	Canada	Mali	Total
Current assets	\$ 1,391,620	\$ 30,088	\$ 1,421,708
Exploration and evaluation assets	-	31,135,277	31,135,277
Property and equipment	-	298,514	298,514
<b>Total</b>	<b>\$ 1,391,620</b>	<b>\$ 31,463,879</b>	<b>\$ 32,855,499</b>

#### 16. SUBSEQUENT EVENTS

On February 24, 2021, the Company announced that it had closed a non-brokered private placement financing of common shares (the "Offering") for gross proceeds of CDN\$4,632,422. Pursuant to the Offering, the Company issued 30,882,811 units of the Company at a price of CDN\$0.15 per unit. Each unit consists of one common share of the Company and one half of a common share purchase warrant. Each whole warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of CDN\$0.25 until February 24, 2023. Directors, officers, and related companies participated and purchased or acquired direction and control over a total of 1,166,667 units under the Offering for gross proceeds of \$175,000. In connection with the Offering, the Company paid \$115,758 in cash commissions and issued 776,832 broker warrants. Each broker warrant is exercisable for one common share of the Company at an exercise price of CDN\$0.15 per common share for a period of two years from the date of closing.

The Company has granted a total of 2,800,000 stock options to certain officers, directors and consultants of the Company pursuant to the Company's stock option plan. The stock options vested immediately and may be exercised at a price of CDN\$0.15 per option for a period of five years from the date of grant. This grant of options is subject to the approval of the TSX Venture Exchange.

**16. SUBSEQUENT EVENTS (continued)**

On March 31, 2021, certain structural corporate changes were made to the Company's senior management team. In addition, the Company terminated its services agreement with F&M (see Note 8) and relocated its registered head office to 100 King St W #1600, Toronto, ON M5X 1G5. The cost of terminating the associated consulting agreements with certain members of senior management and various supporting consultants and the services agreement was CAD\$1,153,746 (\$906,178). This cost has been determined to be a 2021 expense and has not been recorded in these financial statements.