BLACK DRAGON GOLD CORP.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Black Dragon Gold Corp.

Opinion

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

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

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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has not achieved profitable operations and has accumulated losses since inception. The Company may be required to delay discretionary expenditures if additional financing cannot be obtained on reasonable term. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

March 30, 2020

BLACK DRAGON GOLD CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
AS AT

	Notes	December 31, 2019	December 31, 2018
ASSETS			
Current			
Cash and cash equivalents		$ 1,761,658	$ 3,582,261
Receivables	3, 9	100,792	224,226
Prepaid expenses		-	422
		1,862,450	3,806,909
Deposits		1,240	1,240
Total assets		$ 1,863,690	$ 3,808,149
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	5, 9	$ 364,520	$ 493,625
Interest payable	7	-	43,426
		364,520	537,051
Shareholders' equity			
Share capital	7	23,165,446	23,116,685
Warrants	7	4,724,574	4,724,574
Reserves	7	5,909,006	5,757,569
Deficit		(32,299,856)	(30,327,730)
Total shareholders' equity		1,499,170	3,271,098
Total liabilities and shareholders' equity		$ 1,863,690	$ 3,808,149

Nature and continuance of operations (Note 1)
Subsequent event (Note 14)

These consolidated financial statements were approved for issue by the Board of Directors on 27th March, 2020 and are signed on its behalf by:

/S/ Paul Cronin	*/S/ Richard Monti*
Paul Cronin	Richard Monti
Director	Director

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

BLACK DRAGON GOLD CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
YEARS ENDED

	Notes	December 31, 2019	December 31, 2018
EXPENSES			
Consulting	9	$ 236,744	$ 135,206
Depreciation		-	685
Directors' fees	9	185,654	190,435
Filing fees		21,920	13,310
Foreign exchange Loss		89,504	155,601
General and administrative	9	509,394	578,665
Exploration and evaluation costs		461,500	798,222
Management fees	9	168,972	381,029
Professional fees	9	99,468	117,246
Shareholder communication		23,288	7,773
Share-based compensation	7, 9	151,437	906,006
Transfer agent		14,742	29,443
Travel and related		56,374	48,127
Loss before other items		(2,018,997)	(3,361,748)
OTHER ITEMS			
Interest and accretion expense		-	(18,546)
Interest Income		24,705	11,765
Settlement of RMB royalty	6	-	(576,051)
Gain on settlement of debt	7, 9	21,952	-
Other income		214	306,040
		46,871	(276,792)
Loss and comprehensive loss for the year		$ (1,972,126)	$ (3,638,540)
Basic loss per common share	7	$ (0.02)	$ (0.04)
Diluted loss per common share	7	$ (0.02)	$ (0.04)
Weighted average number of common shares outstanding – basic and diluted		90,892,206	90,812,051

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

BLACK DRAGON GOLD CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
YEARS ENDED

	December 31, 2019	December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (1,972,126)	$ (3,638,540)
Items not affecting cash:		
Depreciation	-	685
Interest and accretion expense	-	46,603
Share-based compensation	151,437	906,006
Interest received on GIC	(24,705)	(9,114)
Gain on settlement of debt	(21,952)	-
Shares issued for directors services	48,761	-
Change in non-cash working capital items		
Increase (decrease) in receivables	123,434	(154,274)
Increase in prepaid expenses	422	8,732
Decrease in accounts payable and accrued liabilities	(150,579)	(308,232)
Net cash used in operating activities	(1,845,308)	(3,148,134)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest received on GIC	24,705	9,114
Shares and units issued for cash, net	-	4,968,060
Net cash provided by financing activities	24,705	4,977,174
Change in cash and cash equivalents during the year	(1,820,603)	1,829,040
Cash and cash equivalents, beginning of year	3,582,261	1,753,221
Cash and cash equivalents, end of year	$ 1,761,658	$ 3,582,261
Cash paid during the year for interest	$ -	-
Cash paid during the year for taxes	$ -	-

Supplemental disclosure with respect to cash flows (Note 8)

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

BLACK DRAGON GOLD CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

	Share Capital						
	Number	Amount	Warrants	Equity Portion of Convertible Debenture	Reserves	Deficit	Total
Balance, December 31, 2017	78,862,741	$ 19,695,960	$ 3,164,574	$ 15,388	$ 4,629,463	$ (26,689,190)	$ 816,195
Shares issued for cash	30,000,000	5,727,541	-	-	-	-	5,727,541
Finders' fees and capital costs- cash	-	(759,481)	-	-	-	-	(759,481)
Finders' fees – ASX CDI's (shares)	483,333	-	-	-	-	-	-
Finders' fees – ASX options	-	(222,100)	-	-	222,100	-	-
Shares issued for convertible debentures	1,515,151	219,377		-	-	-	219,377
Conversion of convertible debt	-	15,388		(15,388)			-
Residual value of warrants	-	(1,560,000)	1,560,000				-
Share-based compensation	-	-	-	-	906,006	-	906,006
Loss for the year	-	-	-	-	-	(3,638,540)	(3,638,540)
Balance, December 31, 2018	**110,861,225**	**$ 23,116,685**	**$ 4,724,574**	**$ -**	**$ 5,757,569**	**$ (30,327,730)**	**$ 3,271,098**

	Share Capital						
	Number	Amount	Warrants	Equity Portion of Convertible Debenture	Reserves	Deficit	Total
Balance, December 31, 2018	110,861,225	$ 23,116,685	$ 4,724,574	$ -	$ 5,757,569	$ (30,327,730)	$ 3,271,098
Shares issued for Directors services	696,589	48,761	-	-	-	-	48,761
Share-based compensation	-	-	-	-	151,437	-	151,437
Loss for the year	-	-	-	-	-	(1,972,126)	(1,972,126)
Balance, December 31, 2019	**111,557,814**	**$ 23,165,446**	**$ 4,724,574**	**$ -**	**$ 5,909,006**	**$ (32,299,856)**	**$ 1,499,170**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Black Dragon Gold Corp. (the "Company") was incorporated under the laws of the Province of British Columbia on August 20, 2007, and is classified as a junior mining issuer with the Australian Securities Exchange (the "ASX"). On February 28, 2019, the Company voluntarily delisted from the TSX Venture Exchange ("TSX-V") and continued to trade on the ASX. The Company's head office address is Ground Floor, Regent House, Rodney Road, Cheltenham, Gloucestershire, GL50 1HX, U.K. The registered and records office address is 1000 Cathedral Place, 925 West Georgia Street, Vancouver, BC V6C 3L2.

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded in these financial statements.

The consolidated financial statements for the year ended December 31, 2019 do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

On May 1, 2018, the Company completed a consolidation of its issued and outstanding common shares on the basis of three (3) pre-consolidation common shares, options and warrants to one (1) post consolidation common share, option and warrant (the "Share Consolidation"). The Share Consolidation has been presented throughout the consolidated financial statements retroactively and all equity related issuances are presented on a post consolidation basis.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

The preparation of consolidated financial statements requires the use of certain critical accounting estimates and the exercise of management's judgment in applying the Company's accounting policies. Areas involving a high degree of judgment or complexity and areas where assumptions and estimates are significant to the Company's consolidated financial statements are discussed below.

The Company's consolidated financial statements for the year ended December 31, 2019 have been prepared on a historical cost basis except for certain financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

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.

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

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. 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, volatility and dividend yield and making assumptions about them. The Company also makes estimates as to when performance conditions for stock options will be met.

The determination of whether or not the achievement of performance milestones for stock options likely requires management to consider factors such as the likelihood of an employee or consultant remaining with the Company until requisite performance is achieved as well as external factors such as government regulations, financial market developments and industry trends which influence the milestones. Additionally, factors internal to the Company, such as the financial and strategic support for the achievement of the milestone must be considered. This determination is subject to significant judgment and changes to any of these factors or management's interpretation thereof, may result in expenses being recognized or previously recognized expense being reversed. The assumptions and models used for estimating fair value for share-based payment transactions are discussed in Note 7.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, including Exploraciones Mineras del Cantabrico S.L. ("EMC"). EMC is a mining company in Asturias, Spain. All inter-company transactions and accounts have been eliminated upon consolidation.

Exploration and evaluation assets

Before legal rights to explore a property have been acquired, costs are expensed as incurred. Costs related to the acquisition of exploration and evaluation assets are capitalized by property. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and depreciated using the unit of production method. If, after management review, it is determined that capitalized acquisition costs are not recoverable over the estimated economic life of the property, the property is abandoned or management deems there to be an impairment in value, the property is written down to its net realizable value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets (continued)

Costs related to the exploration and evaluation of mineral properties are recognized in profit or loss as incurred. Exploration expenditures are the costs of exploring for mineral resources other than those occurring at existing operations and projects and comprise geological and geophysical studies, exploratory drilling, and sampling and resource development. Evaluation expenditures include the cost of conceptual and feasibility studies and evaluation of mineral resources at existing operations. When a decision is taken that a mining project is technically feasible and commercially viable, subsequent directly attributable expenditures are considered development expenditure and are capitalized within property, plant and equipment or mineral properties. If a property does not prove economically recoverable or technically feasible, all irrecoverable costs associated with the project, net of any previous impairment provisions, are written off.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the mineral interest. If payments received exceed the capitalized cost of the mineral interest, the excess is recognized as income in the year received.

The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and evaluation and future profitable production or proceeds from the disposition thereof.

Impairment of non-financial assets

At each reporting date the carrying amounts of the Company's long-lived non-financial assets, which are comprised of property, plant and equipment, and exploration and evaluation assets, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset or its related cash generating unit. For purposes of impairment testing, assets are grouped at the lowest levels that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit").

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the associated assets are reduced to their recoverable amount and the impairment loss is recognized in profit or loss for the year.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment charge is reversed through profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of any applicable depreciation, if no impairment loss had been recognized.

Decommissioning provisions

The Company recognizes the fair value of a liability for a decommissioning provision in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The Company does not have any decommissioning provisions as at December 31, 2019 and 2018.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

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 tax payable with regards to previous years.

Deferred tax is recorded by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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 statement of financial position 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.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Loss per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting years.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity. Common shares issued for consideration other than cash, are valued based on their trading value at the date the shares are issued.

The Company uses the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a unit private placement to be the more easily measurable component. The balance, if any, is allocated to the attached warrants, except where there is a related flow-through share premium, as detailed in the next paragraph. Any fair value attributed to the warrants is recorded as reserves.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based compensation

Stock options and direct awards of stock granted to employees and other providing similar services are measured at fair value on the date of grant and is recognized as an expense with a corresponding increase in reserves as the options vest. Fair value is determined using the Black Scholes option pricing model taking into the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value.

Options granted to non-employees are measured at their fair value of goods or series received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received. Consideration paid for the shares on the exercise of stock options is credited to share capital.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

Foreign currency translation

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for the Company and its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the financial position reporting date. 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 reflected in profit or loss for the period.

Financial instruments

<u>Classification</u>

Financial assets are classified at initial recognition as either: measured at amortized cost, FVTPL or fair value through other comprehensive income ("FVOCI"). The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or the Company has opted to measure at FVTPL.

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (Continued)

Measurement

Financial assets and liabilities at FVTPL are initially recognized at fair value and transaction costs are expensed in the consolidated statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets or liabilities held at FVTPL are included in the consolidated statement of loss and comprehensive loss in the period in which they arise. Where the Company has opted to designate a financial liability at FVTPL, any changes associated with the Company's credit risk will be recognized in OCI.

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

Impairment

The Company assesses on a forward looking basis the expected credit losses ("ECL") associated with financial assets measured at amortized cost, contract assets and debt instruments carried at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

New accounting standards and interpretations adopted during the year

As at the date of these financial statements, the following standards have been applied in these financial statements:

(i) IFRS 16 – New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.

(ii) IFRIC 23 - New standard sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. IFRIC 23 requires an entity to determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019.

The adoption of the above standards did not have an impact on the consolidated financial statements of the Company.

3. RECEIVABLES

	December 31, 2019	December 31, 2018
Related party receivable (Note 9)	$ 6,315	$ -
Value-added tax receivable	85,126	$ 172,068
GST receivable	9,351	52,158
Total	$ 100,792	$ 224,226

(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS

Salave Gold Property

The Salave Project is comprised of 30-year-term mining concessions over the resource area. On January 23, 2018 the Company announced that it had commenced an exploration drilling program on the Salave Gold Deposit ("Salave" or "Salave Project") in Asturias, Spain, following the receipt of approval from the Asturias Ministry of Employment, Industry & Tourism, as well as the Municipality of Tapia de Casariego. This drilling program was completed in April of 2018.

A Preliminary Economic Assessment of the Salave project was performed in 2018 and on February 11, 2019 the Company announced results of the PEA. The PEA is based on the recently completed Mineral Resource Estimate completed by CSA Global.

Although the Company has taken steps to verify title to its mineral property in which it has an interest, these procedures do not guarantee the Company's title. Its property may be subject to prior agreements or transfers and title may be affected by undetected defects. Further, we make judgements for properties where concessions terms have expired, and a renewal application has been made and is awaiting approval. We use judgement as to whether the concession renewal application is probable to be received, but ultimately this is beyond our control. If a renewal application is not approved, we could lose rights to those concession.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
Accounts payables	$ 113,529	$ 237,976
Accrued liabilities	187,255	180,855
Due to related parties (Note 9)	63,736	74,794
Total	$ 364,520	$ 493,625

6. CONVERTIBLE DEBENTURE AND LOAN FACILITY

Convertible Debenture:

During April 2017, the Company issued unsecured convertible debentures with a total principal amount of $251,000, bearing interest at the rate of 15% per annum. The debentures matured and be repayable on or before April 18, 2019. The debentures are convertible into common shares of the Company at a conversion price $0.165 per share until April 18, 2018, and $0.30 per share thereafter until April 18, 2019. For each $1,000 in principal amount of debentures, 6,060 common share purchase warrants were issued. Each warrant entitles the holder to acquire one additional common share of the Company at a price of $0.33 per common share for a period of 24 months. If, during this 24-month period, the volume-weighted average price of the Company's common shares is at least $0.66 for a period of seven consecutive trading days, the Company may, at its option, accelerate the expiry date of the warrants by issuing a news release or giving written notice thereof to all holders of the warrants, and, in such case, the warrants will expire on the earlier of: (i) the 30th day after the date on which the news release or written notice is provided by the Company; and (ii) the original expiry date. In connection with the issuance of the debentures, the holders thereof will be granted a right to nominate a member for election to the Company's board of directors at any meeting of shareholders where directors are to be elected, provided such nominee is acceptable to regulatory authorities, for so long as the debentures are outstanding.

Pursuant to a service agreement dated July 11, 2016, and previously approved by the TSX-V, Lionsbridge Capital Pty. Ltd., a company owned and controlled by Brian S. Wesson, former chief executive officer, B. Clyde Wesson, former chief operating officer, and Amelia Wesson, former vice-president, received a finder's fee of 190,151 common shares, valued at $25,671, in connection with the closing of the debentures.

6. CONVERTIBLE DEBENTURE AND LOAN FACILITY (Continued)

On May 2, 2018 the unsecured convertible debentures were converted into common shares of the Company at a post share consolidation share price of $0.165 for 1,515,151 ordinary shares.

As at December 31, 2019, the Company has no accrued interest payable in connection with the convertible debenture (2018 - $43,426).

Loan receivable:

In June 2013, the Company, through their subsidiary, EMC, closed an agreement for a $10,000,000 loan facility (“Facility”) to be provided by RMB Australia Holdings Limited (“RMB”), the lender. On August 8, 2013, the Facility was amended to convert all amounts owing and future borrowings from Canadian dollars to US dollars. Previously drawn Canadian dollar amounts were converted to their US dollar equivalents. The total value of the loan facility available to the Company was converted to US$10,000,000. During the year ended December 31, 2019 and 2018, the Company recorded $nil in interest expense.

On July 6, 2017, the Company settled the RMB loan facility, including accrued interest, for cash consideration of $4,493,966 and the granting by the Company to RMB of a 2% net smelter return (“NSR”) royalty on the first 800,000 ounces of gold production from the Salave property.

On 4 October 2018 the Company entered into an agreement with RMB to buy out the 2% NSR on the first 800,000 ounces of production at a buy-out fee of $576k (US$447k) (paid).

7. SHARE CAPITAL AND RESERVES

Authorized:

Unlimited number of common shares without par value.

Issued - 2019 transactions

On November 20, the Company issued 696,589 shares valued at $0.07 per share to settle outstanding director fees. The shares had a fair value of $48,761, which resulted with a gain on settlement of debt of $21,952 (Note 9).

Issued - 2018 transactions

On May 1, 2018, the Company completed a consolidation of its issued and outstanding common shares on the basis of three (3) pre-consolidation common shares, options and warrants to one (1) post consolidation common share, option and warrant (the “Share Consolidation”). Prior to the Share Consolidation, the Company had 236,588,374 Shares issued and outstanding. Following the Share Consolidation, the Company had 78,862,741 Shares issued and outstanding. The Share Consolidation has been presented throughout the consolidated financial statements retroactively.

On May 2, 2018 the unsecured convertible debentures were converted into common shares of the Company at a post share consolidation share price of $0.165 for 1,515,151 ordinary shares.

On August 22, 2018 the Company issued 30,000,000 CHESS Depository Interests (“CDI’s”) in conjunction with an Initial Public Offering (“Prospectus Offering”) on the Australian Securities Exchange (“ASX”) for gross proceeds of AUD$6,000,000 ($5,727,541). Each CDI unit is comprised of one common share and one option warrant for every 2 CDI units issued at a share price of AUD$0.33 ($0.31), expiring on August 22, 2019. A residual value of $1,560,000 was allocated to the warrants. The value attributed to the warrants was based on the residual method, which values the common shares at fair value, with the remaining amount of the proceeds being allocated to the warrants.

Finders fees and listing costs paid in conjunction with the Prospectus Offering were comprised of cash payments totaling $759,481, the issuance of 483,333 CDI’s valued at $92,493 and the issuance of 6,075,000 share purchase warrants valued at $222,100 exercisable for one year, all with the same terms as those attached to the unit warrants.

(Expressed in Canadian dollars)

7. SHARE CAPITAL AND RESERVES Continued)

Warrants

A summary of the number of common shares reserved pursuant to the Company's warrants outstanding as at December 31, 2019 and 31 December 2018, is as follows:

	Number of Warrants		Weighted Average Exercise Price
Outstanding, December 31, 2017	65,636,353	$	0.34
Issued	15,000,000		0.32
Expired	(4,740,864)		0.24
Outstanding, December 31, 2018	75,895,489	$	0.34
Expired	(73,228,823)		0.34
Outstanding, December 31, 2019	2,666,666	$	0.33

A summary of the number of common shares reserved pursuant to the Company's warrants outstanding as at December 31, 2019 is as follows:

Expiry date	Number	Exercise Price
June 29, 2021	2,666,666	0.33
Total	2,666,666	0.33

Stock options

The Company has a stock option plan under which it is authorized to grant options to directors, employees and consultants, to acquire up to 10% of the issued and outstanding common stock. The exercise price of each option is based on the market price of the Company's stock at the date of grant. The options can be granted for a maximum term of 10 years and vest as determined by the board of directors.

(Expressed in Canadian dollars)

7. SHARE CAPITAL AND RESERVES (continued)

Stock options (Continued)

A summary of the status of the Company's stock options as at December 31, 2019 and 2018 is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2017	6,660,000	0.25
Granted	6,408,333	0.32
Expired	(66,667)	1.20
Outstanding, December 31, 2018	13,001,666	0.28
Granted	1,500,000	0.10
Expired	(6,268,334)	0.32
Outstanding, December 31, 2019	8,233,332	0.22

A summary of the number of common shares reserved pursuant to the Company's options outstanding as at December 31, 2019 is as follows:

Expiry Date	Number of Options	Exercise Price	Number of Options exercisable
September 24, 2027	5,983,333	$0.24	5,983,333
October 22, 2027	416,666	$0.24	416,666
August 29, 2023	333,333	$0.33	333,333
September 18, 2021	1,500,000	$0.10	1,500,000
Total	8,233,332	$0.22	8,233,332

During the year ended December 31, 2019, the Company recognized $151,437 (2018 - $906,006) of share-based compensation expense.

2019 transactions

On September 18, 2019, the Company granted 1,500,000 stock options to directors, officers, and consultants of the Company. The options are exercisable for a period of three years at a price of $0.10 per share. The options vested immediately upon grant and were valued at $41,627 which is included in share-based compensation at December 31, 2019 and were valued using the Black-Scholes option pricing model with the following weighted average assumptions:

Stock price	$0.07
Risk-free interest rate	1.54%
Expected volatility	73.82%
Expected life (years)	3
Expected dividend	nil

(Expressed in Canadian dollars)

7. SHARE CAPITAL AND RESERVES (continued)

Stock options (Continued)

2018 transactions

On February 7, 2018, the Company granted 333,333 stock options to an officer of the Company exercisable at a price of $0.33 per share. These options vest upon achievement of certain performance conditions and expire at the earlier of: i) five years from the date each milestone is obtained, or ii) ten years from the date of grant being February 7, 2028. 100% will vest upon commencement of the trading of the Company's shares on the Australian Stock Exchange and be exercisable at a price of $0.33 per share.

On August 29, 2018 Finders fees and listing costs paid in conjunction with the Prospectus Offering were the issuance of 6,075,000 share options valued at $222,100 exercisable for one year, at a share price of AUD$0.33 (CAD $0.31), expiring on August 29, 2019.

8. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

During the years ended December 31, 2019 and 2018, the Company incurred the following non-cash transactions that are not reflected in the statements of cash flows:

		2019		2018
Allocation of equity portion of convertible debt	$	-	$	15,388
Residual value of unit warrants	$	-	$	1,560,000
Shares issued for convertible debt	$	-	$	219,377
Options issued as finders fees	$	-	$	222,100
Shares issued as finders fees	$	-	$	92,493

Cash and cash equivalents consists of $1,756,124 (2018 - $785,320) of cash and $5,534 (2018 - $2,796,941) in cash equivalents.

9. RELATED PARTY TRANSACTIONS

The Company considers personnel with the authority and responsibility for planning, directing and controlling the activities of the Company to be key management personnel.

Transactions with key management personnel

The following amounts were incurred with respect to the President and Chief Executive Officer, Directors, the Chief Operating Officer and the Chief Financial Officer of the Company:

		2019		2018
Management fees – current Chief Executive Officer	$	50,776	$	258,882
Directors' fees – current directors		185,654		190,435
Management fees – current Chief Financial Officer		118,196		122,147
Wages and salary		93,786		-
Consulting fees – current Chief Executive Officer		201,545		-
Administrative fees – current Chief Executive Officer		-		52,178
Share-based compensation		133,529		840,142
	$	783,486	$	1,463,784

(Expressed in Canadian dollars)

9. RELATED PARTY TRANSACTIONS (Continued)

As at December 31, 2019, included in accounts payable and accrued liabilities is $116,706 (2018 - $74,794) that is due to directors, officers and companies controlled by directors or officers or a former director or officer of the Company.

As at December 31, 2019, included in accounts receivable is $6,315 (2018 - $nil) that is due to an officer of the Company.

During the year ended December 31, 2019, the Company issued 696,589 shares valued at $0.07 per share to settle outstanding director fees. The shares had a fair value of $48,761, which resulted with a gain on settlement of debt of $21,952.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

The inputs used in making fair value measurements are classified within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

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

The carrying value of receivables and accounts payable and accrued liabilities and interest payable approximated their fair value because of the short-term nature of these instruments. Cash and cash equivalents are measured at fair value using Level 1 inputs.

Financial instruments measured at fair value on the consolidated statements of financial position are summarized in levels of fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 1,761,658	$ -	$ -	$ 1,761,658

The Company has exposure to the following risks from its use of financial instruments:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's cash and cash equivalents are held at large financial institutions and it believes it has no significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations, and anticipating investing and financing activities. As at December 31, 2019, the Company had current assets of $1,862,450 to settle current liabilities of $364,520 which either have contractual maturities of less than 30 days and are subject to normal trade terms or are due on demand.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Market risk

Market risk is the risk of loss that may arise from changes in market factors, such as interest rates and foreign exchange rates.

a) Interest rate risk

Interest rate risk is the risk due to variability of interest rates. The Company is exposed to interest rate risk on its bank account. The income earned on the bank account is subject to the movements in interest rates. The Company has cash balances and no-interest bearing debt, therefore, interest rate risk is nominal.

b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations, exploration and administrative expenses in Spain by using Euros converted from its Canadian bank accounts. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk. Based on the Company's Euro denominated financial instruments at December 31, 2019, a 10% change in exchange rates between the Canadian dollar and the Euro would result in a change of $7,000 in foreign exchange gain or loss.

11. CAPITAL MANAGEMENT

The Company's capital structure consists of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its business and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing, selling assets, and incurring debt. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, high liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the year. The Company will need to raise additional capital by obtaining equity financing, selling assets and incurring debt to develop its business.

13. INCOME TAXES

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

	2019	2018
Income (Loss) for the year	$ (1,972,126)	$ (3,638,540)
Expected income tax recovery	$ (532,000)	$ (982,000)
Change in statutory, foreign tax, foreign exchange rates and other	449,000	(79,000)
Share issuance costs	-	(205,000)
Permanent differences	41,000	245,000
Adjustment to prior year tax provision versus statutory tax returns	175,000	(309,000)
Change in unrecognized deductible temporary differences	(133,000)	1,330,000
Total income tax expense (recovery)	$ -	$ -

(Expressed in Canadian dollars)

13. INCOME TAXES (Continued)

The significant components of the Company's temporary differences and tax losses that have not been recognized on the consolidated statements of financial position are as follows:

Temporary Differences	2019	Expiry Date Range	2018	Expiry Date Range
Exploration and evaluation assets	$ 18,462,000	No expiry date	$ 19,723,000	No expiry date
Share issue costs and other	832,000	2039 to 2042	1,387,000	2039 to 2042
Non-capital losses available for future period	16,620,000	2023 to no expiry	15,372,000	2023 to no expiry

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

14. SUBSEQUENT EVENT

Subsequent to December 31, 2019:

a) The Company issued 371,522 common shares pursuant to the shareholder resolutions relating to Non-Executive Directors' receiving common shares in lieu of cash payment to settle outstanding director fees.

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