VANGOLD
MINING

Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the shareholders of Vangold Mining Corp.:

Opinion

We have audited the consolidated financial statements of Vangold Mining Corp. [the "Company"], which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of loss 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 consolidated financial position of the Company as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRSs"].

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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that as of December 31, 2019, the Company has no source of recurring revenue, generates negative cash flows from operating activities, and has an accumulated deficit of $47,407,775. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, 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 comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report.

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 audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this, 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 these consolidated financial statements in accordance with IFRSs, 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 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.

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 Michael David.

/s/ Lancaster & David

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
April 28, 2020

Incorporated Partners: David E. Lancaster, C.P.A., C.A. ~ Michael J. David, C.P.A., C.A.
Address: Suite 510, 701 West Georgia Street, PO Box 10133, Vancouver, BC, Canada, V7Y 1C6
Telephone: 604.717.5526 **Facsimile:** 604.717.5560 **Email:** admin@lancasteranddavid.ca

VANGOLD MINING CORP.
Consolidated statements of financial position
As at December 31, 2019 and 2018
(Expressed in Canadian dollars)

		2019		2018
Assets				
Current assets				
Cash	$	544,279	$	41,022
Amounts receivable		28,294		29,948
Prepaid expenses and deposits		3,045		5,434
Total current assets		575,618		76,404
Non-current assets				
Equipment (Note 4)		3,182		6,821
Advances receivable (Note 6)		251,408		84,000
Exploration and evaluation assets (Note 5)		1,539,490		1,539,490
Total assets	$	2,369,698	$	1,706,715
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (Notes 8 and 15)	$	330,931	$	429,696
Total liabilities		330,931		429,696
Shareholders' Equity				
Share capital		38,468,898		37,561,359
Contributed surplus		10,977,644		10,613,659
Deficit		(47,407,775)		(46,897,999)
Total shareholders' equity		2,038,767		1,277,019
Total liabilities and shareholders' equity	$	2,369,698	$	1,706,715

Nature of operations and going concern (Note 1)
Commitments and contingent liabilities (Note 15)
Subsequent events (Note 18)

Approved and authorized for issuance on behalf of the Board on April 28, 2019:

"James Anderson"
James Anderson, Chairman, CEO and Director

"Richard Silas"
Richard Silas, Director

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

VANGOLD MINING CORP.

Consolidated Statements of Loss and Comprehensive Loss
For the year ended December 31, 2019 and 2018
(Expressed in Canadian dollars)

	2019	2018
Expenses		
Depreciation	$ 3,639	$ 6,255
Foreign exchange loss	6,403	7,842
Investor relations	27,390	95,370
Management and consulting fees (Note 8)	202,113	343,243
Mineral exploration costs (Note 5)	14,787	309,164
Office and miscellaneous	58,607	131,655
Professional fees	159,970	108,065
Rent	11,387	58,655
Share based compensation	12,497	219,730
Transfer agent and regulatory fees	46,957	35,734
Travel and meals	43,554	106,556
Wages and benefits	-	52,203
Total expenses	587,304	1,474,472
Loss before other income (expense)	(587,304)	(1,474,472)
Other income (expense)		
Gain on sale of investment (Note 16)	–	135,000
Interest income	18	473
Impairment of exploration assets (Note 5)	–	(9,001)
Loss on disposal of equipment (Note 4)	–	(2,372)
Gain (loss) on settlement of debt	77,510	1,961
Total other income (expenses)	77,528	126,061
Comprehensive loss for the year	$ (509,776)	$ (1,348,411)
Basic and diluted loss per share	$ (0.01)	$ (0.04)
Weighted average number of common shares outstanding – basic and diluted	41,021,918	31,396,186

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

VANGOLD MINING CORP.
Consolidated statements of changes in shareholders' equity
(Expressed in Canadian dollars)

	Share capital		Share			
	Number of shares	Amount	subscriptions received	Contributed Surplus	Deficit	Total
Balance, December 31, 2017	25,505,065	$ 36,862,832	$ –	$ 10,063,805	$ (45,549,588)	$ 1,377,049
Shares issued for cash	8,349,594	730,331	–	319,561	–	1,049,892
Share issuance costs	–	(31,804)	–	10,563	–	(21,241)
Fair value of stock options granted	–	–	–	219,730	–	219,730
Net loss for the year	–	–	–	–	(1,348,411)	(1,348,411)
Balance, December 31, 2018	33,854,659	37,561,359	–	10,613,659	(46,897,999)	1,277,019
Share consolidation adjustment	(70)	–	–	–	–	–
Shares issued for cash	25,809,500	944,262	–	346,213	–	1,290,475
Share issuance costs	–	(36,723)	–	5,275	–	(31,448)
Fair value of stock options granted	–	–	–	12,497	–	12,497
Net loss for the year	–	–	–	–	(509,776)	(509,776)
Balance, December 31, 2019	59,664,089	$ 38,468,898	$ –	$ 10,977,644	$ (47,407,775)	$ 2,038,767

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

VANGOLD MINING CORP.

Consolidated statements of cash flows
For the year ended December 31, 2019 and 2018
(Expressed in Canadian dollars)

	2019	2018
Operating activities		
Net loss for the year	$ (509,776)	$ (1,348,411)
Items not involving cash:		
Depreciation	3,639	6,255
Loss on disposal of equipment	–	2,372
Gain on settlement of debt	(77,510)	–
Share-based compensation	12,497	219,730
Write off exploration assets	–	9,001
Changes in non-cash operating working capital:		
Amounts receivable	1,654	30,838
Prepaid expenses and deposits	2,389	29,264
Accounts payable and accrued liabilities	(21,255)	67,965
Net cash used in operating activities	(588,362)	(982,986)
Investing activities		
Disposition (purchase) of equipment	–	5,448
Deposits receivable	(167,408)	(84,000)
Net cash used in investing activities	(167,408)	(78,552)
Financing activities		
Proceeds from issuance of shares	1,290,475	1,049,892
Share issuance costs	(31,448)	(21,241)
Repayment from short-term debt	–	(45,100)
Net cash provided by investing activities	1,259,027	983,551
Change in cash	503,257	(77,987)
Cash, beginning of year	41,022	119,009
Cash, end of year	$ 544,279	$ 41,022
Non-cash investing and financing activities:		
Finders' warrants issued as share issuance costs	5,275	10,563
Supplemental disclosures:		
Interest paid	–	–
Income taxes paid	–	–

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

1. Nature of Operations and Going Concern

Vangold Mining Corp. (the "Company" or "Vangold") is in the business of the acquisition, exploration and evaluation of mining assets. The Company currently holds exploration and evaluation asset interests located in Canada and Mexico.

The head office and registered records of the Company is located at 1000 – 409 Granville Street, Vancouver, BC, V6C 1T2. Vangold is a publicly listed company incorporated under the Business Corporations Act of British Columbia and is listed on the TSX Venture Exchange ("TSX.V") under the symbol "VGLD".

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2019, the Company has no source of recurring revenue, generates negative cash flows from operating activities, and has an accumulated deficit of $47,407,775. These factors raise significant doubt about the Company's ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and consolidated statement of financial position classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

The recent outbreak of the novel coronavirus COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the Canadian and global economies, disruptions of financial markets, and created uncertainty regarding potential impacts to the Company's supply chain and operations. The COVID-19 pandemic has impacted and could further impact the Company's operations and the operations of the Company's suppliers and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts the Company's business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Company's suppliers and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. The management team is closely following the progression of COVID-19 and its potential impact on the Company. Even after the COVID-19 pandemic has subsided, the Company may experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Company cannot reasonably estimate the impact at this time our business, liquidity, capital resources and financial results.

2. Significant Accounting Policies

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared under the historical cost convention and are presented in Canadian dollars, which is the Company's presentation currency.

2. Significant Accounting Policies (continued)

(a) Statement of Compliance (continued)

The preparation of these consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

(b) Approval of the Consolidated Financial Statements

The consolidated financial statements of the Company for the year ended December 31, 2019 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 28, 2020.

(c) Basis of Measurement and Principles of Consolidation

These consolidated financial statements have been prepared using the historical cost basis except for financial instruments classified as fair value through profit or loss, and available-for-sale, which are stated at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated financial statements include the accounts of the Company and the following subsidiaries:

Subsidiary	Location	Ownership Interest	Status
CanMex Silver S.A. de C.V. ("CanMex")	Mexico	100%	Consolidated
Obras Mineras El Pinguico S.A. de C.V. ("Obras")	Mexico	100%	Consolidated

Subsidiaries are those entities which Vangold controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Vangold controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by Vangold and are deconsolidated from the date that control ceases.

All intercompany transactions, balances and unrealized gains and losses are eliminated on consolidation.

(d) Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided using the declining-balance method, less the estimated residual value. The Company provides for depreciation computed as follows:

Computer equipment	3 years straight-line
Field Equipment	3 years straight-line
Office equipment	3 years straight-line
Truck	3 years straight-line

(e) Exploration and Evaluation Assets and Expenditures

Exploration and evaluation assets include any cash consideration and the fair market value of shares issued, if any, on the acquisition of exploration and evaluation asset interests. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. The recorded amounts of property claim acquisition and option payments represent actual expenditures incurred and are not intended to reflect present or future values. Option payments received on properties, are offset against the historical costs deferred on those properties.

2. Significant Accounting Policies (continued)

(e) Exploration and Evaluation Assets and Expenditures (continued)

Exploration and evaluation expenditures are charged to the consolidated statement of operations as they are incurred until the exploration and evaluation asset reaches the development stage. Significant costs related to property acquisitions are capitalized until the viability of the mineral interest is determined. When it has been established that a mineral deposit is commercially mineable and an economic analysis has been completed, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized and will be amortized against production following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned.

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the conveyance history characteristic of many exploration and evaluation assets. The Company has investigated title to its exploration and evaluation assets and to the best of its knowledge title to its properties is in good standing.

(f) Impairment of Long-Lived Assets

At each reporting date, the carrying amounts of the Company's long-lived 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statement of operations for the year.

For the purposes of impairment testing, equipment, exploration and evaluation assets, and oil and gas properties, are allocated to cash generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of operations.

(g) Decommissioning, Restoration and Similar Liabilities

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets, oil and gas properties, and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a provision for a decommissioning liability is recognized at its present value in the period in which it is incurred, which is generally when an environmental disturbance occurs or a constructive obligation is determined. Upon initial recognition of the liability, a corresponding amount is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using the unit of production method.

Following the initial recognition of a decommissioning liability, the carrying amount of the liability is increased for the passage of time and adjusted for changes in the estimated provision resulting from revisions to the estimated timing and amount of cash flows, or changes in the discount rate. Changes to estimated future costs are recognized in the statement of financial position by either increasing or decreasing the decommissioning liability and the decommissioning asset. At December 31, 2019 and 2018, the Company did not record any decommissioning liabilities.

2. Significant Accounting Policies (continued)

(h) Share-Based Payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to equity reserves. Consideration received on the exercise of stock options is recorded as share capital and the related equity reserve is transferred to share capital. When stock options are forfeited prior to becoming fully vested, any expense relating to the unvested options previously recorded, is reversed.

(i) Foreign Currency Translation

The functional currency of the Company and its wholly-owned subsidiaries, CanMex and Obras, 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* ("IAS 21").

Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the period end date exchange rates. Non-monetary items which are measured using historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(j) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the consolidated statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2. Significant Accounting Policies (continued)

(k) Basic Loss per Share

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year. Under this method, the weighted average number of common shares used to calculate the dilutive effect in the consolidated statement of operations and comprehensive loss assumes that the proceeds that could be obtained upon exercise of options, warrants and similar instruments would be used to purchase common shares at the average market price during the year. In years where a net loss is incurred, basic and diluted loss per share is the same as the effect of outstanding stock options and warrants would be anti-dilutive. As at December 31, 2019, the Company had 110,326,501 (2018 – 58,422,621) potentially dilutive shares outstanding.

(l) Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the consolidated statement of operations. As at December 31, 2019, and 2018, the Company had no items that represent comprehensive income or loss.

(m) Recent Accounting Pronouncements

New and Amended Standards Adopted

<u>Leases</u>

<u>Adoption of new standards – IFRS 16 *Leases*</u>

The Company adopted the requirements of IFRS 16 effective January 1, 2019. This new standard replaces IAS 17 *Leases* and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset. Control is considered to exist if the customer has the right to obtain substantially all of the economic benefits from the use of an identified asset and the right to direct the use of that asset. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to the current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets.

Upon adoption, the Company has elected to apply the available exemptions as permitted by IFRS 16 to recognize a lease expense on a straight-line basis for short-term leases (lease term of 12 months or less) and low value assets. The Company has also elected to apply the practical expedient whereby leases whose term ends within 12 months of the date of initial application would be accounted for in the same way as short-term leases.

Upon the adoption of IFRS 16, the Company was not required to recognize any right-of-use assets and lease liabilities related to the Company's leased premises, as the only lease outstanding at December 31, 2018 expired during the year ended December 31, 2019.

For any new contracts entered into on or after January 1, 2019, the Company considers whether a contract is or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition the Company assesses whether the contract meets three key evaluations, which are whether:

i. The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company.

2. Significant Accounting Policies (continued)

(m) Recent Accounting Pronouncements (continued)

ii. The Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
iii. The Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability on the statement of financial position.

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available. If the interest rate implicit in the lease is not readily available, the Company discounts using the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term. On the statement of financial position, right-of-use assets will be included under non-current assets and lease liabilities will be included under current and non-current liabilities.

New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the current period and have not been early adopted. These standards are not expected to have a material impact to the Company in the current or future reporting periods and have not been discussed or presented.

3. Critical Accounting Estimates and Judgments

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities in future years.

3. Critical Accounting Estimates and Judgments (continued)

The information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements is as follows:

Carrying Value and Recoverability of Exploration and Evaluation assets

The carrying amount of Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the assets and properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets. To the extent that any of management's assumptions change, there could be a significant impact on the Company's future financial position, operating results and cash flows.

Fair Value of Stock Options and Warrants

Determining the fair value of warrants and stock options requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of equity.

Income Taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred income tax provisions or recoveries could be affected.

Information about significant areas of judgment considered by management in preparing the financial statements is as follows:

Going Concern and Functional Currency

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1, as well as the determination of functional currency as discussed in Note 2(i).

(Expressed in Canadian dollars)

4. Equipment

	Computer Equipment $	Field Equipment $	Office Equipment $	Truck $	Total $
Cost:					
Balance, December 31, 2017	3,765	1,776	5,100	14,261	24,902
Additions	–	–	–	–	–
Disposals	–	–	–	(14,261)	(14,261)
Balance, December 31, 2018	3,765	1,776	5,100	–	10,641
Additions	–	–	–	–	–
Balance, December 31, 2019	3,765	1,776	5,100	–	10,641
Accumulated depreciation:					
Balance, December 31, 2017	35	3	604	3,364	4,006
Additions	1,255	625	1,298	3,077	6,255
Disposals	–	–	–	(6,441)	(6,441)
Balance, December 31, 2018	1,290	628	1,902	–	3,820
Additions	1,255	623	1,761		3,639
Balance, December 31, 2019	2,545	1,251	3,663	–	7,459
Carrying amounts:					
As at December 31, 2018	2,475	1,148	3,198	–	6,821
As at December 31, 2019	1,220	525	1,437	–	3,182

The disposals for the year ended December 31, 2018 was due to the disposal of the equipment for $5,448 proceeds. As a result, the Company recognized a loss on disposal of equipment of $2,372 during the fiscal year ended December 31, 2018.

5. Exploration and Evaluation Assets

Exploration and evaluation assets consist of:

	Mexican Silver Belt $	El Pinguico $	Rossland $	Total $
Acquisition Costs:				
Balance, December 31, 2017	360,000	1,179,490	9,001	1,548,491
Impairment	–	–	(9,001)	(9,001)
Balance, December 31, 2018 and 2019	360,000	1,179,490	–	1,539,490

Mineral exploration costs consist of*:*

	Year ended December 31, 2019 $	Year ended December 31, 2018 $
Environmental survey	–	24,642
General exploration	9,370	148,624
Geological	1,075	64,466
Rentals	4,342	71,432
	14,787	309,164

5. Exploration and Evaluation Assets (continued)

Mexican Silver Belt Property, Mexico

On April 28, 2017, the Company entered into asset acquisition agreements for seven mining claims strategically situated within the high grade Mexican Silver Belt and all within close proximity to the Company's operations office in Guanajuato, Mexico. Under the terms of the agreements, the Company paid $10,000 and issued 3,125,000 common shares with a fair value of $343,750. The Company also recognized additional acquisition costs of $6,250. The vendors retain a 2.5% NSR royalty of which 1.25% (one-half) may be repurchased for $500,000.

El Pinguico Properties, Guanajuato State, Mexico

On April 27, 2017, the Company completed an acquisition of a 100% interest in the El Pinguico property, located in Guanajuato State, Mexico. Under the terms of the agreement, the Company paid consideration of $136,240 (USD$100,000) and issued 5,000,000 common shares with a fair value of $900,000. The Company also issued 662,500 common shares with a fair value of $119,250 as a finder's fee. The Company also recognized additional acquisition costs of $24,000. The vendors retain a 4% NSR and a 15% Net Profits Interest ("NPI") on minerals recovered from an existing surface and underground stockpiles of mineralized rock and a 3% NSR and 5% NPI on all newly mined mineralization. The Company may repurchase 1% (one-third) of the 3% NSR on all newly mined mineralization for USD$1,000,000.

On October 2017, the Company and OMP executed a Surface Land Purchase Agreement with two private landowners for 302 hectares. The surface land includes the Company's El Pinguico property and provides significant land area for mining infrastructure, development and construction. Under the terms of the agreement, the Company has the option to purchase the property in two years and is committed to pay two annual instalments of $4,500 with a final payment of $65,000 on the third anniversary.

In February 2020 the Company signed a surface land use agreement with a local land owner and a surface land access agreement for the mine with the Ejido Calderones, which allows for unrestricted road access for exploration and mining equipment and personnel to El Pinguico through the community of Calderones. The land access agreement is for a period of 15 years. Under the terms of the agreement the Company made an initial payment of the equivalent of $7,100 dollars and will make annual payments of the equivalent of approximately $2,100. The Land use agreement is a two year term with option to purchase the land. Under the terms of the agreement the Company made an initial payment of the equivalent of $1,700 dollars and will make annual payments of the equivalent of approximately $140

Rossland Properties, British Columbia, Canada

South Belt

At December 31, 2019, the Company holds a 25% interest in certain mineral claims within the historic Rossland gold camp in southeastern British Columbia.

The Company entered into an Option and Joint Venture Agreement with a private company, Rossland Resources Inc. ("RRI") that entitled RRI to earn up to a 100% interest in the property. RRI has fulfilled its commitments to earn a 75% interest, and its option to earn a final 25% interest expired on June 1, 2013. In addition, RRI granted the Company a 1.5% Net Smelter Royalty on the claims. RRI can purchase the NSR granted to the Company for a total of $1,500,000 at any time. RRI is operator of the project. Through the option period, the Company received a total of 1,300,000 shares of RRI, which were impaired to a carrying value of $nil in prior years.

5. Exploration and Evaluation Assets (continued)

Rossland Properties, British Columbia, Canada *(continued)*

Evening Star Property

The Company owns a 100% interest in the surface rights and a 50% interest in the mineral rights comprising the Evening Star Property. On July 1, 2014, the Company issued a mortgage on the Evening Star Property in the amount of $50,000. The mortgage was discharged when the short-term debt was repaid in January 2018. Refer to Note 7. During the year ended December 31, 2018, the Company began the process to relinquish the interests in the Rossland properties as the Company intends to focus operations on the Mexican Silver Belt and El Pinguico properties. As a result, the Company recognized an impairment of $9,001 during the year ended December 31, 2018.

6. Deposit

During the year ended December 31, 2018 the Company entered into a Letter of intend ("LOI") whereby the Company agreed to acquire all of the issued and outstanding shares of Aventura Gold Ltd. ("Aventura"), a private company which holds an option to acquire 100% of the right, title and interest to a gold property in Guyana ("Tassawini Property"). As consideration for all of the issued and outstanding shares of Aventura, the Company agreed to make cash payments totaling US$6,000,000. During the year ended December 31, 2019 the Company elected not to pursue the acquisition of Aventura and terminated its letter of intent.

As at December 31, 2019, the Company had made refundable advances totaling $238,048 and incurred expenditures totaling approximately $12,000 in connection with the acquisition of Aventura. Subsequent to December 31, 2019 the Company reached an agreement with Astor Holdings Inc, ("Astor") a Guyana corporation and Shooting Star Acquisition Corp, ("Star") a Capital pool company listed for trading on the TSX Venture whereby the Company has assigned all rights, title, and interest in the draft NI 43-101 technical report commissioned by the Company on the Tassawini gold project in Guyana, in consideration for Astor and Star agreeing pay the Company a total of $250,000 consisting of the refundable advances owed to the Company and expenditures incurred by the Company.

The $250,000 consideration will be paid as follows:

1) An initial payment of $25,000 cash and 400,000 common shares of Star at a deemed price of $0.25 per share upon closing of the Star's Qualifying Transaction; and

2) A second payment of $50,000 cash and $75,000 in Star Shares (based on Star's 10- day VWAP) anticipated to occur upon Star's receipt of an environmental impact statement on the Tassawini project.

7. Short-term Debt

During the year ended December 31, 2014, the Company entered into a loan arrangement with two former related parties for loans totaling $37,000. The loans bore simple interest rate of 20% per annum, commencing July 1, 2014. Additional amounts were loaned during the years ended December 31, 2016 and 2015. The outstanding loans were due and payable July 1, 2015. The loans were secured with a mortgage on the Company's Evening Star Property for up to $50,000. The loans were repaid in January 2018.

On March 13, 2017, the Company settled $196,248 in short-term debt owing to a former director of the Company and a company controlled by a former director of the Company through the issuance of 1,401,771 common shares. On January 19, 2018, the Company repaid short-term debt of $45,100 owing to a former director of the Company and a company controlled by a former director of the Company.

8. Related Party Transactions

(a) For the year ended December 31, 2019, the Company incurred management and consulting fees of $87,500 (2018 - $nil) to a company controlled by the Chief Executive Officer of the Company ("CEO"). As at December 31, 2019, the amount of $10,000 (December 31, 2018 - $nil) was owed to a company controlled by the CEO of the Company, which is included in accounts payable and accrued liabilities. The amount owed is non-interest-bearing, unsecured and due on demand.

(b) For the year ended December 31, 2019, the Company incurred management and consulting fees of $45,000 (2018 - $180,000) to the former Chief Executive Officer and a company controlled by the former Chief Executive Officer of the Company. As at December 31, 2019, the amount of $nil (2018 – $29,979) was owed to the former Chief Executive Officer and his company.

(c) For the year ended December 31, 2019, the Company incurred management and consulting fees of $nil (2018 - $30,000) to a company controlled by the former Chief Financial Officer ("CFO") of the Company.

(d) For the year ended December 31, 2019, the Company incurred management and consulting fees of $nil (2018 - $12,894 (US$10,000)) to a company controlled by a former director of the Company.

(e) For the year ended December 31, 2019, the Company incurred share-based compensation of $4,833 (2018 - $178,559) to directors and officers of the Company.

9. Share Capital

The authorized share capital of the Company consists of the following:

(a) Common Shares: unlimited common shares without par value;
(b) Class A Common Shares: unlimited common shares without par value;
(c) Class B Common Shares: unlimited common shares without par value;
(d) Class A Preferred Shares: unlimited preferred shares with a par value of $0.2947; and
(e) Class B Preferred Shares: unlimited preferred shares without par value.

Share Issuances for the Year Ended December 31, 2019:

(a) On March 26, 2019, Company completed the first tranche of its private placement for gross proceeds of $335,000, consisting of 6,700,000 units at a price of $0.05 per unit as detailed below. A finder's fee of $9,450 was paid with respect to this tranche. The proceeds were allocated between the common shares ($241,098) and warrants ($93,902) based on their relative fair values. The fair value of the warrants was calculated using the Black-Scholes option pricing model assuming a risk-free rate of 1.59%, no expected dividends or forfeiture rate, volatility of 114% and an expected life of two years. Each unit consists of one common share and one share purchase warrant (a "Warrant"); each Warrant entitles the holder to purchase one common share of the Company at a price of $0.10 within two years of closing.

(b) On May 9, 2019, Company completed the second tranche of its private placement for gross proceeds of $247,975, consisting of 4,959,500 units at a price of $0.05 per unit. A finder's fee of $21,248 cash and 284,950 warrants was paid with respect to this tranche. The proceeds were allocated between the common shares ($179,128) and warrants ($68,847) based on their relative fair values. Broker's warrants were valued at $5,275. The fair value of the warrants was calculated using the Black-Scholes option pricing model assuming a risk-free rate of 1.58%, no expected dividends or forfeiture rate, volatility of 113% and an expected life of two years. Each unit consists of one common share and one share purchase warrant (a "Warrant"); each Warrant entitles the holder to purchase one common share of the Company at a price of $0.10 within two years of closing.

(Expressed in Canadian dollars)

9. Share Capital (continued)

(c) On November 28, 2019 the Company completed the third and final tranche of its private placement for gross proceeds of $707,500 consisting of 14,150,000 units at a price of $0.05 per unit. Each unit consists of one common share and one share purchase warrant exercisable at a price of $0.10 per share for a period of two years. The proceeds were allocated between the common shares ($524,036) and warrants ($183,464) based on their relative fair values. The fair value of the warrants was calculated using the Black-Scholes option pricing model assuming a risk-free rate of 1.63%, no expected dividends or forfeiture rate, volatility of 107% and an expected life of two years.

(d) During the year ended December 31, 2019, the Company completed a two old for one new share consolidation. All share numbers in these consolidated financial statements for the year ended December 31, 2019 have been retroactively adjusted to reflect the share consolidation.

Share issuances for the year ended December 31, 2018:

(a) On January 18, 2018, the Company completed the second tranche of its private placement of 5,373,300 units at a price of $0.14 per unit for proceeds of $752,262. The proceeds were allocated between the common shares $432,701 and warrants $319,561 based on their relative fair values. The fair value of the warrants was calculated using the Black-Scholes option pricing model assuming a risk-free rate of 1.98%, no expected dividends or forfeiture rate, volatility of 128%, and an expected life of four years. Each unit consists of one common share of the Company and one non-transferrable warrant entitling the holder to purchase one common share of the Company at a price of $0.50 for a period of four years from the date of issuance. As part of the financing, the Company paid $11,417 of finders' fees and issued 55,300 finder warrants with a fair value of $10,563 exercisable at $0.50 per share for a period of four years from the date of issuance.

(b) On September 26, 2018, the Company issued 2,976,294 common shares at a price of $0.10 per share for total proceeds of $297,629. The Company paid filing fees of $750 and finders fees of $9,074.

10. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price $
Balance, December 31, 2017	15,676,862	0.50
Issued	5,428,600	0.50
Balance, December 31, 2018	21,105,462	0.50
Issued	26,094,450	0.10
Balance, December 31, 2019	47,199,912	0.36

As at December 31, 2019, the following share purchase warrants were outstanding:

Expiry date	Exercise price $	2019	2018
January 13, 2020	0.50	951,960	951,960
March 13, 2020	0.50	6,063,790	6,063,790
April 24, 2020	0.50	4,586,112	4,586,112
November 9, 2021	0.50	4,075,000	4,075,000
March 25, 2021	0.10	6,700,000	5,428,600
May 8, 2021	0.10	5,244,450	–
November 27, 2021	0.10	14,150,000	–
January 18, 2022	0.50	5,428,600	–
		47,199,912	21,105,462

11. Stock Options

The Company's Board of Directors approved a 20% fixed stock incentive plan in accordance with the policies of the TSX.V. Subject to TSX.V and shareholder approvals, the aggregate number of common shares that may be reserved, allotted and issued pursuant to the plan shall not exceed 3,392,307 common shares, less the aggregate number of common shares then reserved for issuance pursuant to any other share compensation arrangement. At its annual general meeting held April 17, 2018, the Company's shareholders approved an increased to the maximum amount of options that can be granted pursuant to this stock option plant to 6,175,673 common shares being the 20% of the Company's issued and outstanding shares at the time of the meeting. The Board of Directors is authorized to grant options under this plan to directors, officers, consultants or employees.

The maximum number of options that may be granted to any one person in any 12-month period must not exceed 5% of the common shares outstanding at the time of the grant or 2% if the optionee is a consultant or employed in an investor relations capacity. The plan states that the Board of Directors shall determine the manner in which the options shall vest and become exercisable. However, options granted to consultants performing investor relations activities shall vest over a minimum of 12 months and no more than one quarter of such options vesting in any 3-month period. The plan requires that the stock options may have a term not exceeding ten years. In the event of any option forfeiture, any expense recognized to date on unvested options is reversed in the period in which the forfeiture occurs.

On December 6, 2019, the shareholders of the Company approved at its annual general meeting a new 10% rolling stock option plan in accordance with the policies of the TSXV pursuant to which the number of Shares issuable under the plan shall not exceed, on a rolling basis, 10% of the Company's issued and outstanding shares at the time of grant, the approval for which will be sought at the Meeting.

The number of Shares subject to each option is determined by the Board, or if appointed, by a special committee of directors appointed from time to time by the Board, provided, at the time the options are granted, that:

a) the number of Shares subject to option, in the aggregate, shall not exceed 10% of the Company's then issued shares;
b) no more than 5% of the issued Shares of the Company may be granted to any one optionee in any 12-month period (unless the Company has obtained "disinterested" shareholder approval);
c) no more than 2% of the issued Shares of the Company may be granted to any one consultant in any 12-month period; and
d) no more than an aggregate of 2% of the issued Shares of the Company may be granted to persons employed to provide "investor relations activities" in any 12-month period.
e) The options shall be subject to such vesting requirements as determined by the Board provided that options granted to consultants performing "investor relations activities" must vest in stages over at least 12 months with no more than 1/4 of the options vesting in any three month period.

The exercise price of the options cannot be set at less than the last closing price of the Company's Shares on the stock exchange on which the Shares of the Company are then listed before the date on which the options are granted by the Company, less the maximum allowable discount from market as may be permitted under the policies of such exchange, if any, or such other minimum exercise price as may be required by such exchange. The options may be exercisable for a period of up to 10 years.

(Expressed in Canadian dollars)

11. Stock Options (continued)

A continuity schedule of the incentive stock options is as follows:

	Number of options	Weighted average exercise price $
Outstanding, December 31, 2017	1,950,000	0.40
Granted	2,400,000	0.20
Cancelled	(887,500)	0.40
Outstanding, December 31, 2018 and 2019	3,462,500	0.24

Additional information regarding stock options outstanding as at December 31, 2019 is as follows:

	Range of exercise prices $	Number of options outstanding	Number of options vested
August 18, 2022	0.40	1,062,500	1,062,500
June 8, 2023	0.20	75,000	75,000
June 28, 2023	0.20	2,075,000	2,075,000
July 25, 2023	0.20	250,000	250,000
Outstanding	0.26	3,462,500	3,462,500
Exercisable		3,462,500	3,462,500

During the year ended December 31, 2019, the Company recorded share-based compensation expense of $12,497 (2018 - $219,730) related to nil (2018 - $2,400,000) options issued.

There were no options granted during the year ended December 31, 2019. The fair values of options granted during the year ended December 31, 2018 was estimated on the date of grant using the Black-Scholes option pricing model assuming no expected dividends and the following with the following weighted-average assumptions:

	2019	**2018**
Risk-free interest rate	–	1.95%
Estimated annualized volatility based on comparable companies	–	127%
Expected life	–	4.93
Expected dividend yield	–	0%

12. Segmented Information

The Company is primarily engaged in mineral exploration in British Columbia, Canada and Guanajuato, Mexico. The Company operates the mineral exploration of its properties in Mexico through its 100% owned subsidiaries, Obras and CanMex.

	December 31, 2019		
	Canada $	Mexico $	Total $
Equipment	1,220	1,962	3,182
Deposit	251,408	–	251,408
Exploration and evaluation assets	–	1,539,490	1,539,490
Total non-current assets	252,628	1,541,452	1,794,080

	December 31, 2018		
	Canada $	Mexico $	Total $
Equipment	2,475	4,346	6,821
Deposit	84,000	–	84,000
Exploration and evaluation assets	–	1,539,490	1,539,490
Total non-current assets	86,475	1,543,836	1,630,311

13. Fair Value Measurement

Fair Value

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

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair value of cash is measured based on level 1 inputs of the fair value hierarchy.

Financial Risk Management

The Company's activities expose it to a variety of financial risks including credit risk, currency risk, liquidity risk, and market price risks.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash. The Company deposits its cash with high credit quality major Canadian financial institutions as determined by ratings agencies. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the maximum exposure to credit risk. Amounts receivable comprises of GST receivable from the Government of Canada.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company attempts to manage liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As of December 31, 2019, the Company had cash of $544,279 to settle current liabilities of $330,931. Further information relating to liquidity risk is disclosed in Note 1 of these consolidated financial statements.

Interest Rate Risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is held mainly in a bank account at a Canadian bank. Fluctuations in market rates do not have a significant impact on estimated fair values as of December 31, 2019.

The Company's interest rate risk principally arises from the interest rate impact on interest charged on its short-term debt. The Company's short-term debt is subject to fixed interest rates thus any change in interest rates would not affect its short-term debt balances.

Foreign Currency Risk

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. As at December 31, 2019, the Company is exposed to currency risk as some transactions and balances are denominated in Mexican Pesos, as well as United States dollars.

13. Fair Value Measurement (continued)

Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

14. Management of Capital

The Company considers its capital to consist of its share capital, equity reserves and deficit. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support exploration and development of exploration and evaluation assets. The Board of Directors has not established quantitative capital structure criteria management, but will review on a regular basis the capital structure of the Company to ensure its appropriateness to the stage of development of the business.

The Company's objectives when managing capital are:

- To maintain and safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, to support continued evaluation and maintenance at the Company's existing properties, and to acquire, explore, and develop other precious and base metal deposits;
- To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk and loss of principal; and
- To obtain the necessary financing to complete exploration and development of its properties, if and when it is required.

The properties in which the Company currently holds an interest in are in the exploration stage and the Company is dependent on external financing to fund its activities in order to carry out planned exploration and pay for administrative costs. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

In addition, the Company may issue new equity, incur additional debt, option its exploration and evaluation assets for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of certain assets. When applicable, the Company's investment policy is to hold cash in interest bearing accounts at high credit quality financial institutions to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends.

There were no changes in the Company's approach to capital management during the year ended December 31, 2019 compared to the year ended December 31, 2018. The Company is not subject to externally imposed capital requirements.

15. Commitments and Contingent Liabilities

During the year ended December 31, 2014, the Company negotiated debt settlements with two creditors. An agreement was reached to settle payables of $282,007 with the two creditors for a total of $70,501, resulting in a gain on settlement of payables of $211,506. The Company must pay the $70,501 upon completion of a financing of at least $2,500,000.

(Expressed in Canadian dollars)

15. Commitments and Contingent Liabilities (continued)

Once a financing of at least $2,500,000 is completed, the Company must pay $49,867 of the negotiated amount within five days to one creditor and $20,634 within 45 days to the other creditor. If either payment is not completed by the deadline, the debt settlement agreements are nullified and the Company must pay the initial payable amounts to each of the creditors. The Company must also comply with reasonable information requests from the creditors on a timely basis, otherwise the debt settlement agreements are nullified. During the year ended December 31, 2019, the Company negotiated to settle the above $49,867 with the first lender for a total payment of $20,000 resulting in a gain on settlement of $29,867. At December 31, 2019, the balance owing related to the second vendor of $20,634 (December 31, 2018 - $70,501) remains in accounts payable and accrued liabilities. All requests have been met and the agreements are in good standing.

During the year ended December 31, 2019, the Company received a letter of claim whereby an investor who took part of a private placement of the Company claims the right of restitution of up to $119,000 claiming that he had entered into an agreement with the Company whereby if the Company issued a private placement at a lower price he would have a right of restitution. Management believes there is no basis for the claim.

16. Gain on Sale of Investment

Under the terms of an agreement dated October 29, 2018, the Company cancelled its carried interest in certain Armenian oil and gas rights ("Carried Interest") and sold 99,900 common shares (the "Shares") of a private company in consideration for $150,000. In connection with the sale, the Company incurred costs of $15,000. The Carried Interest and Shares were recorded at a carrying value of $nil and accordingly, the Company recognized a gain on sale of $135,000 during the year ended December 31, 2018.

17. Income Taxes

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

	2019 $	2018 $
Statutory enacted rates in Canada	27.00%	27.00%
Expected tax recovery at statutory rate	(138,000)	(364,000)
Adjustments:		
Non-deductible items and other	(60,000)	110,000
Foreign tax rate differences	(3,000)	(6,000)
Change in unrecognized deductible temporary differences	201,000	260,000
Income tax recovery	–	–

The significant components of deductible temporary differences, unused tax losses and unused tax credits that have not been included on the statement of financial position are as follows:

	December 31, 2019 $	Expiry date range	December 31, 2018 $	Expiry date range
Share issue costs	117,000	2021 to 2023	129,000	2021 to 2022
Non-capital loss carry forward	9,949,000	2027 to 2039	9,242,000	2027 to 2038
Exploration and evaluation and oil and gas assets	11,486,000	No Expiry	11,473,000	No Expiry
Equipment	339,000	No Expiry	336,000	No Expiry
Marketable securities	166,000	No Expiry	166,000	No Expiry

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

18. Subsequent Events

(a) Effective March 10, 2020 the Company's shares re-commenced trading on the TSX-V and effective March 24, 2020 the Company changed its trading symbol from "VAN" to "VGLD".

(b) Subsequent to December 31, 2019 the Company settled a total of $20,182 owed by issuing 403,640 shares, of which 200,000 of these shares were issued to a company owned by the Chief Executive Officer of the Company.

(c) Subsequent to December 31, 2019 the Company granted 2,700,000 stock options including 1,600,000 grated to officers and directors of the Company. The options vest over a period of one year are exercisable at a price of $0.075 per share for a three year period.

(d) Subsequent to December 31, 2019, the Company had the following share purchase warrants expire in full: 951,960 warrants exercisable at $0.50 per share; 6,063,790 warrants exercisable at $0.50 per share; and 4,586,112 warrants exercisable at $0.50 per share.

(e) Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods. The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact.