



LINCOLN GOLD MINING INC.

CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Lincoln Gold Mining Inc.

Opinion

We have audited the accompanying consolidated financial statements of Lincoln Gold Mining Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' deficiency 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, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the consolidated financial statements, which indicates that the Company has a working capital deficiency of \$1,076,400 and total liabilities of \$2,248,072 at December 31, 2020. As stated in Note 2, 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 group 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 David Harris.

A handwritten signature in black ink that reads "Davidson & Caspary LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

April 29, 2021

LINCOLN GOLD MINING INC.
Consolidated Statements of Financial Position

As at December 31, 2020 and 2019

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

| | Notes | December 31, 2020 \$ | December 31, 2019 \$ |
|---|-------|----------------------------|----------------------------|
| Assets | | | |
| Current assets | | | |
| Cash | | 113,895 | 56,244 |
| Receivables | 11 | 34,529 | 28,915 |
| Prepaid expenses | | 17,353 | 29,476 |
| | | 165,777 | 114,635 |
| Non-current assets | | | |
| Equipment | | 3,697 | - |
| Right-of-use asset | 4 | 37,759 | 88,103 |
| Deposits | | 14,032 | 14,068 |
| Mineral properties | 5 | 455,005 | 156,000 |
| | | 510,493 | 258,171 |
| Total assets | | 676,270 | 372,806 |
| Liabilities and shareholders' deficiency | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 6 | 329,954 | 1,234,038 |
| Due to related parties | 11 | 263,467 | 514,195 |
| Lease liability | 8 | 43,237 | 59,056 |
| Loans payable | 9 | 13,856 | 59,795 |
| Promissory notes | 10 | 591,663 | 1,064,987 |
| | | 1,242,177 | 2,932,071 |
| Non-current liabilities | | | |
| Accounts payable and accrued liabilities | 6 | 171,276 | - |
| Due to related parties | 11 | 718,741 | - |
| Lease liability | 8 | - | 36,049 |
| Loans payable | 9 | 33,120 | - |
| Provision for environmental rehabilitation | 7 | 82,758 | 84,422 |
| | | 1,005,895 | 120,471 |
| Total liabilities | | 2,248,072 | 3,052,542 |
| Shareholders' deficiency | | | |
| Share capital | 12 | 25,536,362 | 24,163,791 |
| Capital reserves | 12 | 3,386,465 | 2,908,994 |
| Deficit | | (30,494,629) | (29,752,521) |
| Total shareholders' deficiency | | (1,571,802) | (2,679,736) |
| Total liabilities and shareholders' deficiency | | 676,270 | 372,806 |

Nature of operations (Note 1)

Subsequent events (Note 17)

Approved and authorized by the Board on April 29, 2021.

| | | | |
|----------------------|----------|--------------------------|----------|
| <u>"Paul Saxton"</u> | Director | <u>"Andrew Milligan"</u> | Director |
| Paul Saxton | | Andrew Milligan | |

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

LINCOLN GOLD MINING INC.
Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2020 and 2019

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

| | Notes | 2020 | 2019 |
|---|------------------|---------------------|---------------------|
| Exploration expenses | 5, 11 | \$ 328,825 | \$ 366,421 |
| Administrative expenses | | | |
| Consulting and management fees | 11 | 193,542 | 133,320 |
| Depreciation | | 50,825 | 53,053 |
| Foreign exchange gain | | (14,737) | (70,667) |
| Investor relations and shareholder services | | 64,054 | 80,317 |
| Office maintenance | | 126,028 | 72,449 |
| Professional fees | 11 | 97,940 | 164,209 |
| Share-based compensation | 11, 12 | 522,267 | - |
| Travel | | 5,307 | 24,713 |
| | | 1,045,226 | 457,394 |
| Other expenses (income) | | | |
| Interest income | | (80) | (80) |
| Interest expense | 6, 9, 11 | 147,602 | 57,702 |
| Gain on settlement of debts | 6, 9, 10, 11, 12 | (778,965) | - |
| Receivables allowance | | - | 96,598 |
| Recoveries | | - | (252,154) |
| Write-off of accounts payable | | (500) | (18,570) |
| | | (631,943) | (116,504) |
| Loss and comprehensive loss for the year | | \$ (742,108) | \$ (707,311) |
| Basic and diluted loss per common share | | \$ (0.03) | \$ (0.08) |
| Weighted average number of common shares outstanding | | 22,090,829 | 9,007,962 |

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

LINCOLN GOLD MINING INC.
Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

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

| | 2020 | 2019 |
|--|------------------|--------------------|
| | \$ | \$ |
| CASH FLOWS USED IN OPERATING ACTIVITIES | | |
| Loss for the year | (742,108) | (707,311) |
| Items not affecting cash: | | |
| Accrued interest expense | 135,237 | 57,702 |
| Depreciation | 50,825 | 53,054 |
| Exploration fund liability | - | (252,154) |
| Gain on settlement of debts | (778,965) | - |
| Receivables allowance | - | 96,598 |
| Share-based compensation | 522,267 | - |
| Unrealized foreign exchange | (22,273) | (21,772) |
| Write-off of accounts payable | (500) | (18,570) |
| Changes in non-cash working capital items: | | |
| Decrease in accounts payable and accrued liabilities | (695,174) | (246,401) |
| Increase in due to related parties | 789,017 | - |
| Decrease (increase) in prepaid expenses and deposits | 12,159 | (824) |
| Increase in receivables | (5,614) | (43,888) |
| Net cash used in operating activities | (735,129) | (1,083,566) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of mineral properties | (99,005) | (63,089) |
| Purchase of equipment | (4,178) | - |
| Recoveries of mineral properties | - | 132,260 |
| Exploration funding | - | 219,144 |
| Net cash (used in) provided by investing activities | (103,183) | 288,315 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Shares issued for cash | 699,200 | 640,000 |
| Warrants exercised | 273,200 | - |
| Share issue costs | (9,625) | - |
| Share subscriptions received in advance | - | - |
| Promissory notes issued for cash | - | 213,595 |
| Loans paid | (7,756) | (17,005) |
| Payment for lease liability | (59,056) | (55,197) |
| Net cash provided by financing activities | 895,963 | 781,393 |
| Net change in cash for the year | 57,651 | (13,858) |
| Cash, beginning of the year | 56,244 | 70,102 |
| Cash, end of the year | 113,895 | 56,244 |

Supplemental cash flow information (Note 14)

LINCOLN GOLD MINING INC.
Consolidated Statements of Changes in Shareholders' Deficiency

For the years ended December 31, 2020 and 2019

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

| | Number of shares | Share capital \$ | Capital reserves \$ | Deficit \$ | Total \$ |
|--------------------------------------|---------------------|---------------------|---------------------------|---------------------|--------------------|
| Balance at December 31, 2018 | 7,519,719 | 23,399,098 | 2,877,687 | (29,045,210) | (2,768,425) |
| Special warrants exercised | 544,877 | 32,693 | (32,693) | - | - |
| Private placement | 6,400,000 | 576,000 | 64,000 | - | 640,000 |
| Shares issued for mineral interests | 1,200,000 | 156,000 | - | - | 156,000 |
| Loss for the year | - | - | - | (707,311) | (707,311) |
| Balance at December 31, 2019 | 15,664,596 | 24,163,791 | 2,908,994 | (29,752,521) | (2,679,736) |
| Private placement | 7,056,363 | 666,200 | 33,000 | - | 699,200 |
| Share issue costs | - | (46,736) | 37,111 | - | (9,625) |
| Shares issued for warrants exercised | 2,180,000 | 324,800 | (51,600) | - | 273,200 |
| Shares issued for debt | 2,200,000 | 165,000 | - | - | 165,000 |
| Shares issued for mineral interests | 1,300,000 | 200,000 | - | - | 200,000 |
| Special warrants exercised | 1,055,123 | 63,307 | (63,307) | - | - |
| Share-based compensation | - | - | 522,267 | - | 522,267 |
| Loss for the year | - | - | - | (742,108) | (742,108) |
| Balance at December 31, 2020 | 29,456,082 | 25,536,362 | 3,386,465 | (30,494,629) | (1,571,802) |

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

LINCOLN GOLD MINING INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019
(All amounts are in Canadian Dollars, unless otherwise stated)

1 Nature of operations

Lincoln Gold Mining Inc. (the “Company” or “Lincoln”) is incorporated under the Business Corporations Act, British Columbia. The Company’s head and registered office, principal address and records is Suite 400 – 789 West Pender Street, Vancouver, British Columbia, Canada, V6C 1H2. The Company is a precious metals exploration and development company.

The consolidated financial statements of the Company for the year ended December 31, 2020 comprise the Company and its subsidiaries (Note 2(b)). These consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest dollar except where otherwise indicated. The Company is listed on the TSX Venture Exchange (“TSX-V: LMG”) and the Frankfurt Stock Exchange (“ZMG2”).

2 Basis of Presentation and Significant Accounting Policies

(a) Basis of preparation

The consolidated financial statements for the year ended December 31, 2020 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

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

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 29, 2021.

Going concern assumption

These consolidated financial statements have been prepared by management on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company has not yet determined whether its mineral properties contain ore reserves and the Company has incurred ongoing losses since inception. Further, the Company has a working capital deficiency of \$1,076,400 (2019 - \$2,817,436) and total liabilities of \$2,248,072 (2019 - \$3,052,542). The future success of the Company is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their exploration and development, and upon establishing future profitable production, or realization of proceeds on disposal.

Management recognizes that the Company will need to raise additional funds to maintain operations and while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern. These consolidated financial statements do not give effect to the adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

In March 2020, the World Health Organization declared the coronavirus a global pandemic. This contagious disease outbreak and related adverse public health developments, which has continued to spread, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

LINCOLN GOLD MINING INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019
(All amounts are in Canadian Dollars, unless otherwise stated)

2 Basis of Presentation and Significant Accounting Policies (Cont'd)

(a) Consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions are eliminated. Profits or losses resulting from intercompany transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries are consistent with the policies adopted by the Company.

The consolidated financial statements include the financial statements of Lincoln Gold Mining Inc., the parent company and the subsidiaries listed below:

| | Country of Incorporation | Economic interests | Principal activity |
|--|--------------------------|--------------------|---------------------|
| Lincoln Gold US Corp. | United States of America | 100% | Mineral exploration |
| Lincoln Resource Group Corp. | United States of America | 100% | Mineral exploration |
| Minera Lincoln de Mexico, S.A. de C.V. | Mexico | 100% | Mineral exploration |

(b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The activities undertaken by exploration and evaluation segment are supported by corporate activities. The operating results of the segments are reviewed regularly by the Company's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance and by the Board of Directors that makes strategic decisions.

(c) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in the Canadian dollar, which is the Company's, and its subsidiaries' functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss.

(d) Mineral properties

The Company accounts for its mineral properties as exploration and evaluation assets in accordance with IFRS 6. The Company capitalizes mineral property interest acquisition costs, which include the cash consideration, option payment under an earn-in arrangement and, the fair value of common shares issued for mineral property interests. The acquisition costs are capitalized until the property is placed into development (when commercial viability and technical feasibility are established), sold or abandoned or determined to be impaired. Before moving acquisition costs into property, plant and equipment upon commencement of development stage, the property is first tested for impairment. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

LINCOLN GOLD MINING INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019
(All amounts are in Canadian Dollars, unless otherwise stated)

2 Basis of Presentation and Significant Accounting Policies (Cont'd)

(d) Mineral properties (Cont'd)

Exploration and evaluation expenditures

The Company expenses to operations all exploration and evaluation costs incurred prior to the determination of economically recoverable reserves. Exploration and evaluation expenditure relates costs incurred for investigation and evaluation of potential mineral reserves and resources, including trenching, exploratory drilling, sampling, mapping and other activities in searching for ore bodies under the properties, and evaluate the technical and commercial viability of developing mineral properties identified through exploration. Exploration and evaluation expenditures, net of any recoveries, are recorded on a property-by-property basis.

(e) Equipment

Equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price and any costs directly attributable to bringing the asset into operation.

Depreciation is provided on a straight line basis over the estimated useful lives as follows:

- office and computer equipment: 2-5 years
- right-of-use-asset: Lease term

Depreciation expense is allocated based on estimated asset lives. Should the asset life or depreciation rates differ from the initial estimate, an adjustment would be made in the consolidated statements of loss and comprehensive loss.

(f) Impairment of long-lived assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If 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. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to 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 profit or loss for the period. For an asset that does not generate largely independent cash flows, 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 to an amount that 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 profit or loss.

(g) Financial instruments

Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

LINCOLN GOLD MINING INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019
(All amounts are in Canadian Dollars, unless otherwise stated)

2 Basis of Presentation and Significant Accounting Policies (Cont'd)

(g) Financial instruments (Cont'd)

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transactions costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instrument depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVTPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Company's right to receive payments is established.

LINCOLN GOLD MINING INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019
(All amounts are in Canadian Dollars, unless otherwise stated)

2 Basis of Presentation and Significant Accounting Policies (Cont'd)

(g) Financial instruments (Cont'd)

Changes in the fair value of financial assets at FVTPL are recognized in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using effective interest method.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Compound financial instruments

Compound financial instruments issued by the Company comprise of a convertible debenture that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value. The liability component of a compound financial instrument is recognized initially at the fair value of the similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(h) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds. Proceeds from unit placements are allocated between shares and warrants using the residual value method whereby the shares are recorded at fair value and any residual is allocated to the warrant. The value of the warrants issued to brokers is determined using the Black-Scholes model.

LINCOLN GOLD MINING INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019
(All amounts are in Canadian Dollars, unless otherwise stated)

2 Basis of Presentation and Significant Accounting Policies (Cont'd)

(i) Earnings (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 period. 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 periods. For the years ended December 31, 2020 and 2019, there were no "in-the-money" dilutive instruments that impacted the calculation of dilutive earnings per share.

(j) Share-based compensation

The Company operates a share-based compensation plan, under which the Company receives services from directors, officers, employees and consultants as consideration for equity instruments (options) of the Company.

The fair value of stock options granted to directors, officers and employees is measured on the grant date, using the Black-Scholes option pricing model. Equity-settled awards are not re-measured subsequent to the initial grant date. The Company uses accelerated method (also referred to as 'graded' vesting) for attributing stock option expense over the vesting period. Stock option expense incorporates an expected forfeiture rate. The expected forfeiture rate is estimated based on historical forfeiture rates and expectations of future forfeiture rates. The adjustment is made if the actual forfeiture rate differs from the expected rate, when the equity instrument vests.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital. The fair value of exercised options is reclassified from capital reserve – options to share capital.

(k) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill and deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

LINCOLN GOLD MINING INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019
(All amounts are in Canadian Dollars, unless otherwise stated)

2 Basis of Presentation and Significant Accounting Policies (Cont'd)

(l) Provision

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(m) Related party transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

(n) Right-of-use assets and lease liability

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

LINCOLN GOLD MINING INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019
(All amounts are in Canadian Dollars, unless otherwise stated)

2 Basis of Presentation and Significant Accounting Policies (Cont'd)

(n) Right-of-use assets and lease liability (Cont'd)

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

(o) Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

3 Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions concerning the future. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include:

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Share-based compensation

The Company uses the Black-Scholes option pricing model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can significantly change the fair value estimate and the Company's earnings and equity reserves.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Company's title on mineral property interests

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry practice for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

LINCOLN GOLD MINING INC.
Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019
(All amounts are in Canadian Dollars, unless otherwise stated)

4 Right-of-use asset

The following table summarizes the Company's right-of-use asset:

| | \$ |
|-------------------------------------|---------------|
| Balance at January 1, 2019 | 138,448 |
| Depreciation | (50,345) |
| Balance at December 31, 2019 | 88,103 |
| Depreciation | (50,344) |
| Balance at December 31, 2020 | 37,759 |

5 Mineral properties

The Company's mineral property interests are comprised of the following properties:

| | United States | | Total |
|-------------------------------------|----------------|-----------|----------------|
| | Pine Grove | Oro Cruz | |
| | \$ | \$ | \$ |
| Balance at December 31, 2018 | - | 69,171 | 69,171 |
| Additions | 156,000 | 63,089 | 219,089 |
| Recoveries | - | (132,260) | (132,260) |
| Balance at December 31, 2019 | 156,000 | - | 156,000 |
| Additions | 299,005 | - | 299,005 |
| Balance at December 31, 2020 | 455,005 | - | 455,005 |

Exploration expenditures (recoveries) incurred during the year ended December 31, 2020:

| | United States | | Total |
|--|----------------|-----------------|------------------|
| | Pine Grove | Oro Cruz | |
| | \$ | \$ | \$ |
| Contractors | 170,132 | 53,209 | 223,341 |
| General administration | 28,667 | 57 | 28,724 |
| Land maintenance | 60,215 | 8,810 | 69,025 |
| Legal | 1,736 | - | 1,736 |
| Permitting environment | 158,882 | 61,797 | 220,679 |
| Property evaluation | (35,147) | - | (35,147) |
| Option payment received | - | (33,538) | (33,538) |
| Recovery from a joint venture partner | - | (145,995) | (145,995) |
| Total mineral property expenditures | 384,485 | (55,660) | 328,825 |

LINCOLN GOLD MINING INC.
Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019
(All amounts are in Canadian Dollars, unless otherwise stated)

5 Mineral properties (Cont'd)

Exploration expenditures (recoveries) incurred during the year ended December 31, 2019:

| | United States | | Other Properties | Total |
|--|----------------|----------------|------------------|----------------|
| | Pine Grove | Oro Cruz | | |
| | \$ | \$ | \$ | \$ |
| Contractors | 134,099 | 142,316 | - | 276,415 |
| General administration | 86,982 | 1,721 | - | 88,703 |
| Geochemistry | - | 945 | - | 945 |
| Land maintenance | 4,993 | 119,557 | 1,429 | 125,979 |
| Permitting environment | 3,783 | - | - | 3,783 |
| Property evaluation | (9,952) | 3,589 | - | (6,363) |
| Travel and accommodation | 217 | 7,142 | - | 7,359 |
| Recovery from a joint venture partner | (33,438) | (96,962) | - | (130,400) |
| Total mineral property expenditures | 186,684 | 178,308 | 1,429 | 366,421 |

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties, and, to the best of its knowledge, title to all of its properties, are properly registered and in good standing.

United States

(a) Pine Grove Property, Nevada

During fiscal 2007, the Company entered into three separate agreements with Wheeler Mining Company (“Wheeler”), Lyon Grove, LLC (“Lyon Grove”) (subsequently acquired by Goldcliff Resource Corporation in June 2016 and re-acquired by the Company in October 2019) and Harold Votipka (“Votipka”) which collectively comprise the Pine Grove Property. In fiscal 2010, the Company added the Cavanaugh property.

- (i) In July 2007, the Company entered into an agreement with Wheeler to lease Wheeler’s 100% owned mining claims in Lyon County, Nevada from July 13, 2007 to December 31, 2022 with an exclusive option to renew the lease by written notice to December 31, 2023. If the property is and remains in commercial production by November 1 of each year after 2022, the Company may renew the lease for a period of one year by delivering written notice to the owner prior to November 15 of that year.

The Company was required to produce a bankable feasibility study on the properties by December 31, 2010 and obtain all necessary funding to place the properties into commercial production. The Company has since received an extension as new technical data is being developed. The Company must pay an NSR of 3% - 7% upon commencement of commercial mining production based on gold prices and the Company must pay a 5% NSR on metals or minerals other than gold produced and sold from the properties.

The following non-refundable advance NSR payments must be made by the Company:

- US\$10,000 upon signing the agreement (paid); and
- US\$30,000 prior to each one-year anniversary of the lease (Years 1-6 paid by the Company; Years 7-12 paid by Goldcliff Resource Corporation (“Goldcliff”) a company with a common director).

- (ii) In July 2007, the Company entered into an agreement with Votipka to acquire three claims located within the Pine Grove Mining District in Lyon County, Nevada in return for a payment of US\$12,000 (paid in 2007). Upon commencement of commercial production, the Company will pay a 5% NSR to Votipka. The Company retains the right to buy down up to 2.5% of the NSR at any time for US\$100,000 per percentage point.

LINCOLN GOLD MINING INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019
(All amounts are in Canadian Dollars, unless otherwise stated)

5 Mineral properties (Cont'd)

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

- (iii) In August 2010, the Company and its wholly owned subsidiary Lincoln Gold US Corp ("Lincoln US") entered into a purchase agreement for Lincoln US to acquire unpatented mining claims and associated water rights (collectively known as the "Cavanaugh property") situated at the Company's Pine Grove project in Lyon County, Nevada. In consideration for the sale of the Cavanaugh property, the vendors have received a total of US\$650,000 and 4,000 common shares of the Company as follows:

| | |
|-------------------|-------------------------------------|
| - On closing | US\$250,000 and 1,500 shares (paid) |
| - August 23, 2011 | US\$150,000 and 1,500 shares (paid) |
| - August 23, 2012 | US\$150,000 and 1,000 shares (paid) |
| - August 23, 2013 | US\$100,000 (paid) |

The vendors will also retain a 1.5% NSR subject to the Company's option to buy down the royalty at a rate of US\$75,000 per one-half percent at any time up until 3 years after the Company's Board of Directors approves mine construction.

During the year ended December 31, 2016, the Company entered into an Exploration License Agreement (the "Agreement") with Placer Solutions LLC ("Placer"), a private company based in Montana, USA, to explore the placer claims on Lincoln's Pine Grover project in Nevada (the "Claim"). The Agreement applies to the Company's Pine Grove placer claims only as it is the Company's intent to develop its lode claims separately.

Under the terms of the Agreement, for a period of 18 months, the Company has granted Placer: i) the exclusive right to explore the Claims for a one-time payment of US\$10,000 (received), ii) an exclusive option to enter into a five (5) year mining lease on the Claims for an annual rental fee of US\$10,000 (received) for the first year and US\$6,000 thereafter and a net operating profit royalty of 20% (the "Lease Option").

Should Placer exercise the Lease Option, Placer has an exclusive right to purchase the Claims (and certain ancillary water rights) plus buyout the royalty for a total consideration of US\$1,500,000 for a period of three years from the anniversary of the lease. The Agreement may be terminated at Placer's discretion upon 60 days' written notice to the Company. The Agreement was terminated in 2019.

- (iv) In August 2016, the Company entered into an agreement with Goldcliff Resource Corporation ("Goldcliff") whereby Goldcliff can earn a 40% interest in the Wheeler and Votipka leases and Cavanaugh property in exchange for incurring US\$1,400,000 in exploration expenditure on the properties over three years, and conveying back to the Company a 60% interest in the Wilson lease that previously was acquired by Goldcliff. The Company is the operator for the earn-in. During the year ended December 31, 2019, Goldcliff decided not to proceed with this option and allowed it to lapse.

During the year ended December 31, 2017, the Company was informed by the Nevada State Division of Water Resources that it was forfeiting certain water rights at Pine Grove for non-use.

The Company filed a petition for judicial review of the decision of the Division of Water Resources seeking reinstatement of the water rights and the right to apply for an extension of time to place the water to beneficial use. The District Court entered its written decision in August 2017, granting the Company's petition. Lincoln has applied for an extension of time to place the water to beneficial use and will apply to change the point of diversion of the water to the Company's proposed mine site.

LINCOLN GOLD MINING INC.

Notes to the Consolidated Financial Statements

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5 Mineral properties (Cont'd)

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

- (v) On October 8, 2019, the Company and Goldcliff entered into a Purchase Option Letter agreement to re-acquire from Goldcliff and its affiliates their interest in the Pine Grove Gold project for the consideration of USD \$200,000 cash and 2,750,000 common shares of the Company as follows:

Cash, USD \$200,000 to be paid as follows:

- Cash of US\$50,000 to be paid upon completion of the next financing of the Company (paid);
- Cash of US\$50,000 to be paid on or before March 31, 2020 (US\$25,000 paid);
- Cash of US\$50,000 to be paid on or before June 30, 2020 (not paid); and
- Cash of US\$50,000 to be paid on or before December 31, 2020 (not paid).

Shares, 2,750,000 shares to be issued as follows:

- Shares, 1,200,000 shares issued following the closing of the first financing (issued with a fair value of \$156,000);
- Shares, 800,000 shares to be issued on December 31, 2019 (issued with a fair value of \$80,000); and
- Shares, 750,000 shares to be issued on March 31, 2020 (issued 500,000 shares with a fair value of \$120,000) (Note 17).

There is a "cutback" provision, provided that the Company shall not be required to issue shares to Goldcliff to the extent that such issuance would result in Goldcliff holding 10% or more of the outstanding shares of the Company, to the extent that the cutback reduces the number of shares above, the Company shall issue the shares that were subject to the cutback as soon as practicable after Goldcliff advises the Company that the issuance of such shares will not result in Goldcliff holding 10% or more of the outstanding shares of the Company.

(b) Oro Cruz Property, California

In February 2010, the Company's 100% owned U.S. subsidiary, Lincoln Gold US Corp. ("Lincoln US"), concluded a lease agreement (the "Lease") to lease certain lode claims covering the Oro Cruz Property in Imperial County, California. The Lease involves advance royalty payments beginning at US\$50,000 per year and gradually increasing to US\$200,000 per year on the seventh anniversary and each subsequent anniversary of the effective date of February 22, 2010.

On May 1, 2018, the Company entered into a Purchase Option Letter agreement to re-acquire a 100% interest in the Hercules claims from ADGIS, Inc. ("ADGIS") (this agreement replaces the original agreement from February 2010) ("ADGIS Agreement"). The Company must make scheduled payments to ADGIS totaling US\$500,000 over five years and royalty payments as follows:

- US\$25,000 by May 15, 2018 (paid)
- US\$25,000 by August 1, 2018 (paid)
- US\$25,000 by October 1, 2018 (paid)
- US\$25,000 by December 1, 2018 (paid)
- US\$50,000 by May 15, 2019 (paid)
- US\$50,000 by May 15, 2020 (paid by Southern Empire Resources Corp.)
- US\$100,000 by May 15, 2021
- US\$100,000 by May 15, 2022
- US\$100,000 by May 15, 2023
- 2% net smelter return royalty from production within the Hercules claim boundaries ("Hercules Royalty")
- 1% net smelter return royalty from production generated by the Company outside the Hercules claim boundaries and within a 1-mile radius of the Hercules claims ("Buffer Royalty")

LINCOLN GOLD MINING INC.

Notes to the Consolidated Financial Statements

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5 Mineral properties (Cont'd)

(b) Oro Cruz Property, California (Cont'd)

0.5% of the Hercules Royalty and the Buffer Royalty together can be repurchased by the Company for US\$500,000, which would reduce the Hercules Royalty to 1.5% and the Buffer Royalty to 0.5%.

An additional 0.5% of the Hercules Royalty can be repurchased by the Company for US\$500,000 to reduce the Hercules royalty to 1%.

On February 28, 2019, the Company granted to Demerara Gold Corp. ("Demerara") and Bell Mountain Exploration Corp. ("Bell Mountain" – a subsidiary of Eros Resources Corp.) the right to enter into a formal Option and Joint Venture Agreement for the exploration of the Oro Cruz property. To earn a 75% interest, Demerara and Bell Mountain will have to spend approximately USD\$2.1 million in property payments, exploration and development over the next five years. With the signing of the formal agreement below, these advances are no longer payable, will be acknowledged as applied towards exploration expenditures and have been recorded as a recovery.

On October 1, 2019, the Company entered into a formal Option and Joint Venture Agreement with Demerara and Bell Mountain. Collectively the "Optionee", granting the Optionee an option to purchase up to an undivided 75% interest in the Oro Cruz Property, (see "Owl" below).

i) First Option – 51% interest in the Oro Cruz Property

The Company grants the Optionee the right to acquire a 51% interest in the Oro Cruz Property by paying US\$110,000 cash, funding the payments made to maintain the ADGIS Agreement in good standing, and incurring US\$1,000,000 in exploration expenditures as follows:

Cash of US\$110,000 as follows:

- Cash of US\$10,000 paid to the Company – received March 6, 2019;
- Cash of US\$25,000 to be paid to the Company on or before February 15, 2020 (received);
- Cash of US\$25,000 to be paid to the Company on or before February 15, 2021 (received);
- Cash of US\$25,000 to be paid to the Company on or before February 15, 2022;
- Cash of US\$25,000 to be paid to the Company on or before February 15, 2023.

Cash payments to ADGIS, Inc.:

- Cash of US\$50,000 paid to ADGIS – paid May 15, 2019 (paid);
- Cash of US\$50,000 to be paid to ADGIS on or before April 15, 2020 (paid);
- Cash of US\$100,000 to be paid to ADGIS on or before April 15, 2021;
- Cash of US\$100,000 to be paid to ADGIS on or before April 15, 2022;
- Cash of US\$100,000 to be paid to ADGIS on or before April 15, 2023.

Exploration expenditures of US\$1,000,000 as follows:

- Exploration of US\$200,000 acknowledged as incurred to October 1, 2019 (incurred);
- Exploration of US\$400,000 cumulative to be incurred before October 1, 2020 (incurred);
- Exploration of US\$700,000 cumulative to be incurred before October 1, 2021;
- Exploration of US\$1,000,000 cumulative to be incurred before October 1, 2022.

LINCOLN GOLD MINING INC.
Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019
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5 Mineral properties (Cont'd)

(b) Oro Cruz Property, California (Cont'd)

ii) Second Option – 75% interest in the Oro Cruz Property (being 51% plus an additional 24%)

The Company grants the Optionee the right to acquire an additional 24% interest in the Oro Cruz Property by making cash payments or incurring exploration expenditures in any combination thereof to a total of US\$600,000 on or before October 1, 2023.

On March 18, 2020, Southern Empire Resources Corp. (formerly Owl Capital Corp.) (“Southern Empire”) closed its Qualifying Transaction with Eros Resources Corp. (“Eros”) and Demerara whereby Southern Empire acquired Demerara and Eros and thereby assumed the option to acquire a 75% interest in the Oro Cruz Property.

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

6 Accounts payable and accrued liabilities

| | December 31, 2020 | December 31, 2019 |
|--|------------------------------|------------------------------|
| | \$ | \$ |
| Accounts payable | 463,863 | 1,214,038 |
| Accrued liabilities | 37,367 | 20,000 |
| Closing balance | 501,230 | 1,234,038 |
| Current portion of accounts payable and accrued liabilities | (329,954) | (1,234,038) |
| Long-term portion of accounts payable and accrued liabilities | 171,276 | - |

On February 25, 2020, the Company negotiated a debt reorganization with certain creditors to defer repayment of accounts payable and accrued liabilities in the total amount of \$196,262 (€136,000), for a period of up to three years from the date of the debt settlement agreement with each respective party.

Repayment is due on the following terms:

| | |
|--|----------------------|
| Third anniversary of debt settlement agreement | \$212,269 (€136,000) |
|--|----------------------|

The accounts payable and accrued liabilities related to these certain creditors in the debt reorganization is initially measured at the present value of the payments in the amount of \$145,575 on the debt settlement date, using a discount rate of 10%. This resulted in the Company recognizing a gain on settlement of debt of \$50,687 and interest expense of \$13,553 during the year ended December 31, 2020.

LINCOLN GOLD MINING INC.
Notes to the Consolidated Financial Statements

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7 Provisions

The Company's recognized a constructive provision for environmental rehabilitation relating to a Pine Grove Property road, which will require future cleanup costs estimated to be approximately US\$70,000. Management expects that the cleanup costs would be incurred in the future, at the end of the expected useful life of the property; however, as the technical feasibility of Pine Grove Property has not been completed yet, the life of the property is uncertain at the reporting date. The provision represents best management estimates and includes the following assumptions: term – 10 years; inflation rate – 0.7%, pre-tax risk-free interest rate – 2.8%.

The closing balance is summarized as follows:

| | December 31, 2020 | December 31, 2019 |
|---------------------------|----------------------|----------------------|
| | \$ | \$ |
| Beginning balance | 84,422 | 88,673 |
| Changes in exchange rates | (1,664) | (4,251) |
| Closing balance | 82,758 | 84,422 |

During the years ended December 31, 2020 and 2019, the finance costs in relation to the accretion of the provision are negligible.

8 Lease liability

| | Total |
|---|----------|
| | \$ |
| Balance at January 1, 2019 | 138,448 |
| Interest expense | 11,854 |
| Lease payments | (55,197) |
| Balance at December 31, 2019 | 95,105 |
| Interest expense | 7,188 |
| Lease payments | (59,056) |
| Balance at December 31, 2020 | 43,237 |
| Current portion of lease liability | (43,237) |
| Long-term portion of lease liability | - |

The Company's future lease commitment as at December 31, 2020 is as follows:

| | |
|------|---------------|
| | \$ |
| 2021 | 45,058 |
| | 45,058 |

LINCOLN GOLD MINING INC.
Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019
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9 Loans payable

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

| | Year ended December 31, 2020 | Year ended December 31, 2019 |
|---|---------------------------------|---------------------------------|
| | \$ | \$ |
| Opening balance | 59,795 | 74,336 |
| Discount on debt settlement | (9,554) | - |
| Loans repaid during the year | (7,756) | (17,005) |
| Interest accrued during the year | 4,491 | 2,464 |
| Closing balance | 46,976 | 59,795 |
| Current portion of loans payable | (13,856) | (59,795) |
| Long-term portion of loans payable | 33,120 | - |

The loan is unsecured, bearing interest at 5% per annum, calculated and payable on demand.

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

This loan payable related to the debt reorganization is initially measured at the present value of the payments in the amount of \$50,446 on the debt settlement date, using a discount rate of 10%. This resulted in the Company recognizing a gain on settlement of debt of \$9,554 and interest expense of \$2,675 during the year ended December 31, 2020.

10 Promissory notes

| | Year ended December 31, 2020 | Year ended December 31, 2019 |
|---|------------------------------------|------------------------------------|
| | \$ | \$ |
| Opening balance | 1,064,987 | 825,529 |
| Promissory notes provided during the year | - | 213,595 |
| Interest accrued during the year | 50,285 | 46,013 |
| Settlement of promissory notes | (503,000) | - |
| Foreign exchange | (20,609) | (20,150) |
| Closing balance | 591,663 | 1,064,987 |

The Company has received advances of \$440,000 from Mr. Ronald K. Netolitzky, a previous control person of the Company, and two other companies controlled by Mr. Ronald K. Netolitzky. The advances were unsecured, non-interest bearing and due on demand. On May 20, 2020, the Company entered into a sale and purchase agreement to assign a 25% interest in and to the ADGIS Agreement and an undivided 25% interest in and to the Oro Cruz Property (Note 5) in full and final settlement of the total advances of \$440,000. The Company recognized a gain on settlement of debts of \$440,000 related to this sale and purchase agreement during the year ended December 31, 2020.

During the year ended December 31, 2015, the Company received \$50,000 from an insider of the Company. The loan was unsecured and evidenced by promissory notes bearing interest at 6% per annum, calculated and payable on demand. On March 9, 2020, the Company issued 630,000 common shares for settlement of debt in the amount of \$63,000 consisting of principal balance of \$50,000 and interest of \$13,000 (Note 12).

LINCOLN GOLD MINING INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019
(All amounts are in Canadian Dollars, unless otherwise stated)

10 Promissory notes (Cont'd)

During the year ended December 31, 2015, the Company received US\$66,000 from a company that has an insider in common with Lincoln. During the year ended December 31, 2017, the existing promissory note was terminated and both parties subsequently entered into a new promissory note agreement consisting of the existing principal and interest in the aggregate amount of US\$71,000. The loan is secured by the Company's US properties and evidenced by a promissory note bearing interest at 9% per annum. Principal and accrued interest was payable upon termination of the note on September 15, 2017. On January 3, 2018, the Company issued 64,344 common shares for settlement of debt in the amount of \$32,172.

During the year ended December 31, 2016, the Company received \$6,527 from a company with certain directors in common. The loan is unsecured, non-interest bearing and due on demand.

On August 24, 2018, September 11, 2018, October 23, 2018, January 23, 2019, March 29, 2019, and May 30, 2019, the Company received \$65,180 (US\$50,000), \$65,070 (US\$50,000), \$91,994 (US\$70,000), \$93,436 (US\$70,000), \$66,815 (US\$50,000) and \$53,344 (US\$40,000) from Dragon Hill Creation Limited, respectively, a company controlled by a director of the Company. The loans are unsecured and evidence by promissory notes bearing interest at 10% per annum, calculated and payable on the termination date of the promissory notes being June 30, 2019. The Company may prepay the principal, in whole or in part, at any time without penalty.

11 Related party transactions

The following transactions were carried out with related parties:

Key management personnel – services rendered and other compensation

Key management includes offices and directors – executive and non-executive. The compensation paid or payable to key management personnel for the services rendered during the years ended December 31, 2020 and 2019 were as follows:

| | Year ended December 31, 2020 | Year ended December 31, 2019 |
|--------------------------|------------------------------------|------------------------------------|
| | \$ | \$ |
| Management fees | 108,000 | 108,000 |
| Corporate fees | 15,000 | - |
| Exploration expenses | 144,651 | 155,202 |
| Accounting fees | 39,500 | 60,000 |
| Share-based compensation | 345,073 | - |
| Total | 652,224 | 323,202 |

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period. The Company also reimburses key executive directors for travel and other expenses incurred in the normal course of business.

LINCOLN GOLD MINING INC.
Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019
(All amounts are in Canadian Dollars, unless otherwise stated)

11 Related party transactions (Cont'd)

Balance due to related parties

| | As at December 31, 2020 | As at December 31, 2019 |
|--|--|--|
| | \$ | \$ |
| Executive officers and their controlled companies | 973,208 | 499,195 |
| Directors | 9,000 | 15,000 |
| Total | 982,208 | 514,195 |
| Current portion of balance due to related parties | (263,467) | (514,195) |
| Long-term portion of balance due to related parties | 718,741 | - |

On February 25, 2020, the Company negotiated a debt reorganization with certain related parties to defer repayment in the total amount of \$930,000, consisting of \$407,000 and US\$394,000, for a period of up to three years from the date of the debt settlement agreement with each respective party. Repayment is due on the following terms:

| | |
|---|---|
| First anniversary of debt settlement agreement | \$5,000 payable to the former CFO \$6,366 (US\$5,000) payable to VP of Operations \$19,098 (US\$15,000) payable to VP of Exploration |
| Second anniversary of debt settlement agreement | \$35,000 payable to the President \$5,000 payable to the former CFO \$26,737 (US\$21,000) payable to VP of Operations \$53,474 (US\$42,000) payable to VP of Exploration |
| Third anniversary of debt settlement agreement | \$362,000 payable to the President \$115,861 (US\$91,000) to VP of Operations \$280,104 (US\$220,000) payable to VP of Exploration |

The balance due to these related parties related to the debt reorganization is initially measured at the present value of the payments in the amount of \$865,181 on the debt settlement date, using a discount rate of 10%. This resulted in the Company recognizing a gain on settlement of debt of \$223,724 and interest expense of \$59,719 during the year ended December 31, 2020.

Balance due from related parties

| | As at December 31, 2020 | As at December 31, 2019 |
|-------------------------------------|--|--|
| | \$ | \$ |
| Companies with a director in common | 590 | 2,625 |
| Directors | - | 1,799 |
| Total | 590 | 4,424 |

The balances due from related parties are included in receivables.

Loans from related parties

See Notes 9, 10 and 12 for further details.

Other transactions with related parties

During the year ended December 31, 2020, the Company received \$15,816 (2019 - \$36,458) from Golden Band Resources Inc., a company with certain officers and directors in common and Goldcliff, for office rent.

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

LINCOLN GOLD MINING INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019
(All amounts are in Canadian Dollars, unless otherwise stated)

11 Related party transactions (Cont'd)

During the year ended December 31, 2019, the Company provided an allowance of \$96,598 against the same amount owing from a Company with a director in common.

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

12 Share capital and reserves

a) Authorized share capital

As at December 31, 2020 and 2019, the authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares, consisting only of common shares are fully paid. As at December 31, 2020 there were 29,456,082 (2019 – 15,664,596) fully paid common shares issued.

On December 17, 2020, the Company issued 2,180,000 common shares pursuant to the exercise of 2,180,000 warrants at an exercise between \$0.10 and \$0.14 per share for total proceeds of \$273,200.

On August 28, 2020, the Company issued 500,000 shares at a value of \$120,000 to Goldcliff, pursuant to the Pine Grove Property, Nevada mineral interest (Note 5).

On August 28, 2020, the Company issued 1,055,123 fully paid common shares pursuant to the exercise of 1,055,123 special warrants. On exercise, \$63,307 was allocated from capital reserves to share capital.

On August 13, 2020, the Company closed a non-brokered private placement. The Company issued a total of 4,856,363 units at a price of \$0.11 per unit for total gross proceeds of \$534,200. Each unit is comprised of one common share of the Company and one-half common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.15 per share until August 13, 2022. The Company paid cash finders' fees of \$9,625 and issued 237,045 finders' warrants at a value of \$37,111. Each finders' warrant entitles the holder to purchase one common share of the Company at a price of \$0.15 per share until August 13, 2022. The fair value of the finders' warrants was calculated using the Black-Scholes Option Pricing Model with an expected life of three years, interest rate of 0.28%, dividend yield of % and expected volatility of 182%.

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

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

On March 9, 2020, the Company completed a debt settlement agreement with various creditors of the Company with respect to outstanding debt (including principal and interest) totaling \$220,000. Of this amount, 1,570,000 common shares were issued to settle indebtedness to certain related parties of \$157,000 and 630,000 common shares were issued to settle promissory notes payable of \$63,000 (Notes 10 and 11). The common shares issued had a fair value of \$165,000 resulting in a gain on settlement of debts of \$55,000.

On November 18, 2019, the Company issued 1,200,000 shares at a value of \$156,000 to Goldcliff, pursuant to the Pine Grove Property, Nevada mineral interest (Note 5).

On October 30, 2019, the Company closed a non-brokered private placement. The Company issued a total of 6,400,000 units at a price of \$0.10 per unit for total gross proceeds of \$640,000. Each unit is comprised of one common share of the Company and one-half common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.14 per share until October 30, 2021. An amount of \$64,000 was allocated to reserves in connection with the residual value of warrants issued.

LINCOLN GOLD MINING INC.
Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019
(All amounts are in Canadian Dollars, unless otherwise stated)

12 Share capital and reserves (Cont'd)

On July 10, 2019, the Company issued 544,877 fully paid common shares pursuant to the exercise of 544,877 special warrants. On exercise, \$32,693 was allocated from capital reserves to share capital.

b) Capital reserves

| | Capital reserve – options | Capital reserve – warrants | Capital reserve – convertible debenture | Total |
|--|---------------------------------|----------------------------------|---|------------------|
| | \$ | \$ | \$ | \$ |
| Balance as at December 31, 2018 | 1,227,184 | 1,435,117 | 215,386 | 2,877,687 |
| Private placement | - | 64,000 | - | 64,000 |
| Exercise of special warrants | - | (32,693) | - | (32,693) |
| Balance as at December 31, 2019 | 1,227,184 | 1,466,424 | 215,386 | 2,908,994 |
| Private placement | - | 33,000 | - | 33,000 |
| Exercise of warrants | - | (51,600) | - | (51,600) |
| Exercise of special warrants | - | (63,307) | - | (63,307) |
| Finders' warrants issued | - | 37,111 | - | 37,111 |
| Share-based compensation | 522,267 | - | - | 522,267 |
| Balance as at December 31, 2020 | 1,749,451 | 1,421,628 | 215,386 | 3,386,465 |

c) Stock options

As at December 31, 2020, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

| Number of Shares | Exercise Price | Expiry Date |
|---------------------|-------------------|-----------------|
| 2,250,000 | \$0.30 | August 17, 2025 |
| 200,000 | \$0.30 | October 7, 2025 |
| 2,450,000 | | |

Stock option transactions for the years ended December 31, 2020 and 2019 are summarized as follows:

| | Year ended December 31, 2020 | | Year ended December 31, 2019 | |
|-----------------------------------|---------------------------------|---------------------------------------|---------------------------------|---------------------------------------|
| | Number of Options | Weighted average exercise price | Number of Options | Weighted average exercise price |
| | | \$ | | \$ |
| Balance, beginning of year | - | - | 180,900 | 1.50 |
| Granted | 2,500,000 | 0.30 | - | - |
| Expired/Cancelled | (50,000) | 0.30 | (180,900) | 1.50 |
| Balance, end of year | 2,450,000 | 0.30 | - | - |
| Options exercisable, end of year* | 2,375,000 | 0.30 | - | - |

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

During the year ended December 31, 2020, the Company granted 2,500,000 stock options with a fair value of \$0.2119 per option and recorded \$522,267 (2019 - \$Nil) as share-based compensation for options vested during the year.

LINCOLN GOLD MINING INC.
Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019
(All amounts are in Canadian Dollars, unless otherwise stated)

12 Share capital and reserves (Cont'd)

The following weighted-average assumptions were used for the Black-Scholes valuation of stock options granted during the years ended December 31, 2020 and 2019:

| | Year ended December 31, 2020 | Year ended December 31, 2019 |
|--------------------------|---------------------------------|---------------------------------|
| Risk-free interest rate | 0.36% | - |
| Expected life of options | 5 years | - |
| Forfeiture rate | 0% | - |
| Annualized volatility | 176% | - |
| Dividend rate | 0% | - |

d) Warrants

As at December 31, 2020, the Company had share purchase warrants, enabling the holders to acquire further common shares as follows:

| Number of Shares | Exercise Price | Expiry Date |
|---------------------|-------------------|------------------|
| 1,820,000 | \$0.14 | October 30, 2021 |
| 300,000 | \$0.10 | April 8, 2022 |
| 3,328,590 | \$0.80 | April 26, 2022 |
| 2,665,227 | \$0.15 | August 13, 2022 |
| 8,113,817 | | |

Warrants transactions for the years ended December 31, 2020 and 2019 are summarized as follows:

| | Year ended December 31, 2020 | | Year ended December 31, 2019 | |
|----------------------------|---------------------------------|---------------------------------------|---------------------------------|---------------------------------------|
| | Number of Warrants | Weighted average exercise price | Number of Warrants | Weighted average exercise price |
| | | \$ | | \$ |
| Balance, beginning of year | 6,528,590 | 0.48 | 3,660,290 | 0.82 |
| Issued | 3,765,227 | 0.14 | 3,200,000 | 0.14 |
| Exercised | (2,180,000) | 0.13 | - | - |
| Expired | - | - | (331,700) | 1.00 |
| Balance, end of year | 8,113,817 | 0.41 | 6,528,590 | 0.48 |

e) Special warrants

In June 2017, the Company completed a debt settlement agreement. As part of the debt settlement the Company issued 1,600,000 special warrants with a value of \$960,000. Each Special warrant may be exercised for one fully paid and non-assessable common share of the Company without payment of additional consideration for a period of 10 years from the date of issue. The special warrants had no voting rights and no entitlement to dividends.

On July 10, 2019, 544,877 special warrants were exercised into 544,877 common shares.

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

There are no remaining special warrants at December 31, 2020.

LINCOLN GOLD MINING INC.
Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019
(All amounts are in Canadian Dollars, unless otherwise stated)

13 Financial instruments

Capital risk management

The Company defines its capital as shareholders' deficiency. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has interests are in the exploration stage. As such, the Company has historically relied on the equity markets to fund its activities. In addition, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will need to raise additional funds in the future until the production commences. The Company will continue to assess new properties and seek to acquire an interest in additional properties if management consider there is sufficient geologic or economic potential and the Company has adequate financial resources and support from investors. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes to the Company's approach to capital management during the current period.

Categories of financial instruments

| | December 31, 2020 | December 31, 2019 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Financial assets * | | |
| <i>Amortized at cost</i> | | |
| Cash | 113,895 | 56,244 |
| Other receivables | 31,154 | 4,456 |
| | 145,049 | 60,700 |
| Financial liabilities | | |
| <i>Amortized at cost</i> | | |
| Accounts payable and accrued liabilities | 501,230 | 1,234,038 |
| Due to related parties | 982,208 | 514,195 |
| Lease liability | 43,237 | 95,105 |
| Loans payable | 46,976 | 59,795 |
| Promissory notes | 591,663 | 1,064,987 |
| | 2,165,314 | 2,968,120 |

* Sales taxes recoverable do not represent financial instruments and are excluded from the analysis

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Fair value

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

Foreign exchange risk

The Company's operations in the United States expose the Company to foreign exchange risk. The Company is subject to currency risk due to the fluctuations of exchange rates between the Canadian and US dollars. The Company does not believe it is exposed to significant foreign exchange risk. A 10% fluctuation in the foreign exchange rate between the Canadian and US dollar will result in a foreign exchange gain/loss of approximately \$107,000. The Company does not enter into derivative financial instruments to mitigate foreign exchange risk.

Credit risk

The Company is not exposed to material credit risk.

LINCOLN GOLD MINING INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019
(All amounts are in Canadian Dollars, unless otherwise stated)

13 Financial instruments (Cont'd)

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not hold any financial liabilities with variable interest rates.

Liquidity risk

The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and through short-term borrowing. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

Price risk

The ability of the Company to explore its mineral properties and the future profitability of the Company are directly related to the market price of precious metals. The Company monitors precious metals prices to determine the appropriate course of action to be taken by the Company.

14 Supplemental cash flow information

| | Year ended December 31, 2020 | Year ended December 31, 2019 |
|----------------------------|---------------------------------|---------------------------------|
| | \$ | \$ |
| Cash paid for interest | - | - |
| Cash paid for income taxes | - | - |

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

On May 20, 2020, the Company entered into a sale and purchase agreement to assign a 25% interest in and to the ADGIS Agreement and an undivided 25% interest in and to the Oro Cruz Property (Notes 5 and 10) in full and final settlement of the total advances of \$440,000. The Company recognized a gain on settlement of debts of \$440,000 related to this sale and purchase agreement during the year ended December 31, 2020.

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

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

On February 25, 2020, the Company negotiated a debt reorganization with certain creditors to defer repayment of accounts payable and accrued liabilities, loan payable and balances due to related parties. The initial measurement of the present value of the payments resulted in the Company recognizing a gain on settlement of debt of \$283,965 during the year ended December 31, 2020.

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

LINCOLN GOLD MINING INC.
Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019
(All amounts are in Canadian Dollars, unless otherwise stated)

15 Segmented information

The Company operates in one reportable operating segment, being the acquisition, exploration and evaluation of mineral properties.

The Company operates within two geographic areas – United States of America and Canada.

| | Non-current assets |
|--------------------------|-------------------------------|
| | \$ |
| December 31, 2019 | |
| United States of America | 157,818 |
| Canada | 100,353 |
| | 258,171 |
| December 31, 2020 | |
| United States of America | 456,787 |
| Canada | 53,706 |
| | 510,493 |

16 Income taxes

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

| | Year ended December 31, 2020 | Year ended December 31, 2019 |
|---|---|---|
| | \$ | \$ |
| Loss for the year | (742,108) | (707,311) |
| Expected income tax recovery | (200,000) | (191,000) |
| Change in statutory, foreign tax, foreign exchange rates and other | 75,000 | 99,000 |
| Permanent differences | 150,000 | 3,000 |
| Share issue costs | (3,000) | - |
| Adjustment to prior years provision versus statutory returns | (1,000) | (401,000) |
| Change in unrecognized deductible temporary differences | (21,000) | 490,000 |
| | - | - |

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

| | December 31, 2020 | December 31, 2019 | Expiry Date Range |
|---|------------------------------|------------------------------|------------------------------|
| | \$ | \$ | |
| Temporary differences: | | | |
| Mineral properties | 3,236,000 | 3,641,000 | No expiry date |
| Share issue costs | 20,000 | 25,000 | 2041 to 2044 |
| Other | 93,000 | 99,000 | No expiry date |
| Non-capital losses available for future periods | 15,811,000 | 15,444,000 | 2026 to indefinite |

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

LINCOLN GOLD MINING INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019
(All amounts are in Canadian Dollars, unless otherwise stated)

17 Subsequent events

On March 9, 2021, the Company issued 250,000 shares to Goldcliff pursuant to the Pine Grove Property, Nevada mineral interest (Note 5).

On April 25, 2021, the Company entered into an option agreement (“Agreement”) to acquire an undivided 100% interest to the Shawinigan Property, located in the Shawinigan Township, Montreal. For consideration, the Company will make cash payments, issue common shares of the Company and incur exploration expenditures as follows:

Cash payments of \$380,000 as follows:

- \$20,000 to be paid within 30 days of approval from TSX Venture Exchange
- \$15,000 to be paid on or before October 25, 2021
- \$15,000 to be paid on or before the first anniversary of the Agreement
- \$20,000 to be paid on or before October 25, 2022
- \$20,000 to be paid on or before the second anniversary of the Agreement
- \$20,000 to be paid on or before October 25, 2023
- \$40,000 to be paid on or before the third anniversary of the Agreement
- \$50,000 to be paid on or before October 25, 2024
- \$50,000 to be paid on or before the fourth anniversary of the Agreement
- \$50,000 to be paid on or before October 25, 2025
- \$80,000 to be paid on or before the fifth anniversary of the Agreement

Issue common shares as follows:

- 300,000 common shares within 30 days of approval from TSX Venture Exchange
- 300,000 common shares on or before the first anniversary of the Agreement
- 300,000 common shares on or before the second anniversary of the Agreement
- 300,000 common shares on or before the third anniversary of the Agreement
- 400,000 common shares on or before the fourth anniversary of the Agreement
- 500,000 common shares on or before the fifth anniversary of the Agreement
- 500,000 common shares upon the Company filing a NI 43-101 technical report with the applicable Canadian securities regulators that include mineral reserves and resources in the property

Incur exploration expenditures as follows:

- \$250,000 within 12 months period from the date of the Agreement
- \$250,000 within two years period from the date of the Agreement
- \$500,000 within three years period from the date of the Agreement
- \$500,000 within four years period from the date of the Agreement
- \$500,000 within five years period from the date of the Agreement

The optionor will retain a 2% NSR of which 1% can be purchased by the Company for \$1,500,000.



FORM 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) WHICH HAS BEEN PREPARED ON APRIL 29, 2021 TO ACCOMPANY THE CONSOLIDATED FINANCIAL STATEMENTS OF LINCOLN GOLD MINING INC. (THE "COMPANY" OR "LINCOLN") FOR THE YEAR ENDED DECEMBER 31, 2020.

This Management's Discussion and Analysis ("MD&A"), which has been prepared as of April 29, 2021, should be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2020. All financial amounts are stated in Canadian currency unless stated otherwise.

The financial statements and the management's discussion and analysis are intended to provide a reasonable base for the investor to evaluate the Company's financial situation.

The financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). All dollar amounts contained in this MD&A are expressed in Canadian dollars, unless otherwise specified.

Where we say "we", the "Company" or "numbered company", we mean Lincoln Gold Mining Inc., the parent company and its wholly-owned subsidiaries, as it may apply.

This management discussion and analysis may contain forward-looking statements in respect of various matters including upcoming events and include without limitation, statements regarding discussions of the Company's business strategy, future plans, projections, objectives, estimates and forecasts and statements as to management's expectations with respect to, among other things, the development of the Company's project. These forward-looking statements involve numerous risks and uncertainties and actual results may vary. Important factors that may cause actual results to vary include without limitation, certain transactions, certain approvals, changes in commodity prices, risks inherent in exploration results, timing and success, inaccurate geological and metallurgical assumptions (including with respect to the size, grade and recoverability of mineral reserves and mineral resources), delays in the receipt of government approvals, and changes in general economic conditions or conditions in the financial markets, the state of the world's health physically and financially in dealing with Covid-19. In making the forward-looking statements in this MD&A, the Company has applied several material assumptions, including without limitation, the assumptions that: (1) any additional financing needed will be available on reasonable terms.

Additional factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements include, among other factors: (1) weak commodity prices and general metal price volatility; (2) the state of the global economy and economic and political events, including the deterioration of the global capital markets, affecting supply and demand and economic and political events affecting supply and demand; and (3) securing and the nature of regulatory permits and approvals and the costs of complying with environmental, health and safety laws and regulations.

The Company cannot assure investors that any of these assumptions will prove to be correct.

The words "expect," "anticipate," "estimate," "may," "will," "should," "intend," "believe," "target," "budget," "plan," "projection" and similar expressions are intended to identify forward-looking statements. Information concerning mineral reserve and mineral resource estimates also may be considered forward-looking statements, as such information constitutes a prediction of what mineralization might be found to be present during operations or if and when an undeveloped project is actually developed.

FORM 51-102F1
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2020

(in Canadian dollars, unless otherwise stated)

These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. The Company believes that the expectations reflected in the forward-looking statements, including future-oriented financial information, contained in this MD&A and any documents incorporated by reference are reasonable, but no assurance can be given that these expectations will prove to be correct. In addition, although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, including future-oriented financial information, there may be other factors that cause actions, events, or results not to be as anticipated, such as future waves of Covid -19, estimated, or intended. The Company undertakes no obligation to disclose publicly any future revisions to forward-looking statements, including future-oriented financial information, to reflect events or circumstances after the date of this MD&A, or to reflect the occurrence of unanticipated events, except as expressly required by law.

Additionally, the forward-looking statements, including future-oriented financial information contained herein, are presented solely for the purpose of conveying our reasonable belief of the direction of the Company and may not be appropriate for other purposes.

The results or events predicted in these forward-looking statements may differ materially from the actual results or events. The Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

This MD&A contains certain forward-looking statements based on the best beliefs, and reasonable assumptions of the management of Lincoln Gold Mining Inc. There are many risks and uncertainties attached to the mineral exploration business. Given these risks and uncertainties, the reader should not place undo reliance on these forward-looking statements.

Additional information relating to the Company's activities may be found on the Company's website at www.lincolnmining.com and at www.sedar.com.

1. Overview

Lincoln Gold Mining Inc. (the "Company" or "Lincoln") is incorporated under the Business Corporations Act, British Columbia. The Company's head and registered office, principal address and records is Suite 400 - 789 West Pender Street, Vancouver, British Columbia, Canada, V6C 1H2. The Company is listed on the TSX Venture Exchange ("TSX-V: LMG") and Frankfurt Stock Exchange ("ZMG2").

Lincoln Gold Mining Inc. is an advanced-stage precious metals exploration and development company with two projects in various stages of exploration, which include the Pine Grove gold property in Nevada, USA, and the Oro Cruz gold property in California, USA. In the United States, the Company operates under its subsidiaries, Lincoln Gold US Corp. and Lincoln Resource Group Corp. On September 24, 2019, the Company consolidated its common shares on the basis of ten pre-consolidated common shares for one post-consolidated common share. The Company also completed a name change to Lincoln Gold Mining Inc. from Lincoln Mining Corporation. The TSXV approved this consolidation of stock and name change in September 2019.

The Company's intention and strategies are to continue to advance its projects, with a long term goal of building Lincoln into a mid-tier gold producer.

Corporate activities during the year ended December 31, 2020

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2020

(in Canadian dollars, unless otherwise stated)

Overview ... (continued)

In April 2020, the Company closed a non-brokered private placement offering (the "Private Placement") of 2,200,000 units of the Company (the "Units") at a price of \$0.075 per Unit to raise gross proceeds of \$165,000. Each Unit consists of one common share in the capital of the Company (a "Common Share") and one half of a Common Share purchase warrant. Each full warrant entitles the holder, on exercise thereof, to purchase one additional Common Share at a price of \$0.10 for a period of 24 months from the closing of the Private Placement.

On April 17, 2020, the Company issued 800,000 shares to Goldcliff Resource Corporation ("Goldcliff") with respect to the Pine Grove acquisition.

The Company issued a news release on April 29, 2020 updating shareholders on permitting activities at the Pine Grove project. The lead government agency that Lincoln deals with is the US Forest Service. Permitting is progressing and being led by Stantec, Inc.

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

The Company's Annual General meeting of Shareholders was held on May 21, 2020. A quorum for the meeting was present and the report of the scrutineer stated that there were 49 shareholders that voted by proxy voting 8,165,221 shares (40.69%) of the 20,064,596 total shares issued & outstanding. The number of directors of the Company remained the same and was fixed at four. All items on the Agenda voted in favour of management's recommendations. There was no other business and the meeting adjourned.

On June 9, 2020, the Company announced the appointment of Mr. Dong Shim as the Company's new Chief Financial Officer (CFO). Mr. Eugene Beukman, former CFO, has retired.

On August 13, 2020, the Company closed a non-brokered private placement. The Company issued a total of 4,856,363 units at a price of \$0.11 per unit for total gross proceeds of \$534,200. Each unit is comprised of one common share of the Company and one-half common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.15 per share for a period of 24 months.

On August 17, 2020, the Company granted 2,300,000 stock options to directors, officers, insiders, employees and consultants of the Company exercisable at a price of \$0.30 per share for a period of five years. All options vest immediately with the exception of 100,000 stock options granted to a consultant which will vest over a 12 month period with 25% of the allotment available for exercise every three months.

On October 7, 2020, the Company granted 200,000 stock options to an officer of the Company exercisable at a price of \$0.30 per share for a period of five years. All options vest immediately.

On December 17, 2020, the Company issued 2,180,000 common shares pursuant to the exercise of 2,180,000 warrants at an exercise between \$0.10 and \$0.14 per share for total proceeds of \$273,200.

On April 25, 2021, the Company entered into an option agreement ("Agreement") to acquire an undivided 100% interest to the Shawinigan Property, located in the Shawinigan Township, Montreal. For consideration, the Company will make \$380,000 in cash payments, issue 2,100,000 common shares of the Company and incur exploration expenditures of \$2,000,000. The Company will have the right at any time to purchase a 1% Net Smelter Return for a cash payment of \$1,500,000.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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(in Canadian dollars, unless otherwise stated)

Overview ... (continued)

Corporate Activities during the year ended December 31, 2019:

On March 4, 2019, the Company granted to Demerara Gold Corp. ("Demerara") and Bell Mountain Exploration Corp. ("Bell Mountain") the right to enter into a formal Option and Joint Venture Agreement until June 30, 2019 for the exploration of the Oro Cruz property. To earn a 75% interest, Demerara and Bell Mountain will have to spend approximately US\$2.1 million in property payments, exploration and development over the next five years. As consideration for granting the due diligence period, Demerara and Bell Mountain will pay the Company US\$10,000 and commit to purchasing \$35,000 worth of securities in the Company's next private placement. Demerara has advanced \$113,586 (US\$85,000) to the Company as of March 31, 2019. These funds will become immediately due and payable to Demerara if the Option and Joint Venture Agreement is not entered into by June 30, 2019. Upon execution of the Option and Joint Venture Agreement, the funds advanced will be credited towards the ongoing obligations of the property payments to ADGIS, Inc. On October 8, 2019 the Company announced that on October 1, 2019 a Option and Joint Venture Agreement was entered into between the Company and Demerara Gold Corp. and Bell Mountain Exploration Corp.

On March 18, 2020, Demerara Gold Corp and Bell Mountain Exploration Corp came together to form Owl Capital Corp. As a result of the Qualifying Transaction, Owl Capital Corp. changed its name to Southern Empire Resources Corp. ("Southern Empire"). and is listed as a Tier 2 mining issuer on the TSX Venture Exchange.

Lincoln announced early in 2019 that the Editorial Board of Mergent, Inc. ("Mergent") has approved the Company for a listing in Mergent Manuals and News Reports™ (the "Manual"). Lincoln's corporate profile in the Manual, which includes descriptive text data as well as news and financial statements, will be accessible via Mergent's online and printed products. As part of Mergent's listing services, Lincoln's new corporate description will be highlighted separately on www.mergent.com with an active hyperlink back to Lincoln's website.

On September 24, 2019, the Company consolidated its common shares on the basis of ten pre-consolidated common shares for one post-consolidated common share. The number of common shares outstanding has been retroactively adjusted in these financial statements and management discussion and analysis to reflect the share consolidation. Simultaneously with the share consolidation, the Company also completed a name change to Lincoln Gold Mining Inc. from Lincoln Mining Corporation.

In September 2019, Lincoln announced that following a recent review of all available data regarding the Pine Grove Gold Project ("the Property"), including the results of its most recent surface drill program, the Company has updated the mineral resource estimate for the property, (see News Release dated Sept. 16, 2019). The updated resource estimate will be included in the permitting process as the project advances towards production. The updated mineral resource estimate for the Wheeler and Wilson deposits comprising the Pine Grove Project totals 210,962 ounces gold from 5,888,107 tons at 0.036 ounces/ton Measured and Indicated and 1,324 ounces gold from 43,450 tons at 0.030 ounces/ton Inferred.

On October 30, 2019, the Company closed a non-brokered private placement. The Company issued a total of 6,400,000 units at a price of \$0.10 per unit for total gross proceeds of \$640,000. Each unit is comprised of one common share of the Company and one-half common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.14 per share until October 30, 2021. Net proceeds will be primarily used towards a prefeasibility study and the final stages of permitting for the Pine Grove project in Nevada. On September 24, 2019, there were 8,064,596 shares issued and outstanding and after the non-brokered financing was completed there were 14,464,596 shares issued and outstanding.

On November 18, 2019, the Company issued 1,200,000 shares to Goldcliff, pursuant to the Pine Grove Property, Wilson deposit mineral interest. See Note 5 of the audited consolidated financial statements for the year ended December 31, 2019.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2020**

(in Canadian dollars, unless otherwise stated)

Overview ... (continued)

Cash Flow Analysis

Operating Activities

During the year ended December 31, 2020, cash used in operating activities was \$735,129 (2019 – \$1,083,566) respectively for activities as described above and below.

Investing activities

During the year ended December 31, 2020, the cash used in investing activities was \$103,183 (2019 – provided by \$288,315). During the prior comparative period, recoveries of mineral property were \$132,260 and exploration funding was received of \$219,144 related to the Oro Cruz property. Cash spent on acquisition of mineral properties was \$99,005 (2019 - \$63,089) related to the Pine Grove property during the year ended December 31, 2020.

Financing activities

During the year ended December 31, 2020, the Company received \$699,200 (2019 - \$640,000) for closing private placements of 7,056,363 (2019 – 6,400,000) common shares and \$273,200 (2019 - \$Nil) for the exercise of warrants with an exercise price between \$0.10 to \$0.14 per share. In addition, the Company paid \$59,056 (2019 - \$55,197) for the Company's office building lease during the year ended December 31, 2020.

New Opportunities:

Lincoln continues to evaluate mineral properties which contain significant drilled gold resources. Evaluations are focused on deposits in the western United States. Gold properties with economic merit and good logistics will be considered for acquisition.

2. Summary of Quarterly Results

| | 4th Quarter 2020 | 3rd Quarter 2020 | 2nd Quarter 2020 | 1st Quarter 2020 |
|--|--|--|--|--|
| | \$ | \$ | \$ | \$ |
| Revenue | - | - | - | - |
| Exploration expenses | 50,339 | 80,862 | 184,374 | 13,250 |
| Administrative expenses (incl. interest expense) | 188,013 | 607,889 | 24,422 | 372,504 |
| Income (Loss) and comprehensive income (loss) | 45,693 | (688,751) | 286,704 | (385,754) |
| Basic and diluted earnings (loss) per share | 0.00 | (0.03) | 0.01 | (0.02) |
| Total assets | 676,270 | 580,203 | 401,346 | 384,237 |
| Working capital deficiency | (1,076,400) | (1,212,629) | (1,318,711) | (2,795,882) |

**FORM 51-102F1
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2020**

(in Canadian dollars, unless otherwise stated)

Summary of Quarterly Results ... (continued)

| | 4th Quarter 2019 | 3rd Quarter 2019 | 2nd Quarter 2019 | 1st Quarter 2019 |
|--|--|--|--|--|
| | \$ | \$ | \$ | \$ |
| Revenue | - | - | - | - |
| Exploration expenses | 61,727 | 164,531 | 103,462 | 26,086 |
| Administrative expenses (incl. interest expense) | 295,286 | (2,688) | 110,438 | 54,825 |
| Loss and comprehensive loss | (263,189) | (161,843) | (213,900) | (68,379) |
| Basic and diluted loss per share | (0.01) | (0.02) | (0.03) | (0.01) |
| Total assets | 372,806 | 431,576 | 297,770 | 371,929 |
| Working capital deficiency | (2,817,436) | (2,887,815) | (3,056,222) | (2,826,995) |

The Company had no revenue as the Company has not yet determined whether its mineral properties contain ore reserves; therefore, the Company has incurred ongoing losses since inception.

During the quarter ending December 31, 2019, the Company spent \$61,727 on exploration expenses, which is \$592,395 less than the \$654,122 spent on exploration expenses for the same quarter in the previous year.

During the quarter ending December 31, 2019, the Company recorded recoveries against exploration expenditures, decreasing the losses made during the quarter by \$252,154 compared with the same quarter during the previous year.

During the quarter ending June 30, 2020, the Company entered into a sale and purchase agreement to assign an undivided 25% interest in and to the Oro Cruz Property in full and final settlement of the total advances of \$440,000 to Mr. Ronald K. Netolitzky and two other companies controlled by Mr. Ronald K. Netolitzky. The Company recognized a gain on settlement of debts of \$440,000 related to this sale and purchase agreement during the quarter ended June 30, 2020.

During the quarter ending September 30, 2020, the Company recorded \$483,683 in share-based compensation related to the granting of 2,300,000 stock options with an exercise price of \$0.30 per share and expiry date of five years from the grant date.

3. Results of Operations

Results of Operations – For the year ended December 31, 2020

For the year ended December 31, 2020, the Company incurred an operational loss of \$742,108 (2019 - \$707,311). The Company recognized a gain on settlement of debts in the amount of \$778,965 (2019 - \$Nil) related to issuing 2,200,000 common shares to various creditors of the Company totalling \$220,000, assigning an undivided 25% interest in and to the Oro Cruz property in settlement of advances of \$440,000 and discounting the repayment of deferred long term payments upon entering into a debt reorganization with certain creditors as discussed above. Removing this from the results, the Company had an operational loss of \$1,521,073 (2019 - \$707,311).

Consulting and management fees increased by \$60,222 due to a general increase in consulting fees compared to the prior year. Office and maintenance increased by \$53,579 mainly as a result of corporate services totalling \$83,750 provided by a company controlled by the former CFO and Corporate Secretary of the Company. Foreign exchange gain decreased by \$55,930 as a result of the translation of US dollar transactions and balances to the Company's functional currency in Canadian dollar during the year. Share-based compensation was \$522,267 related to the Company granting 2,500,000 stock options with an exercise price of \$0.30 per share and expiry date of five years from the grant date.

Exploration expenses slightly decreased by \$37,596 to \$328,825 on the properties compared to the prior period mainly due to the exploration activity on the Pine Grove property.

**FORM 51-102F1
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2020**

(in Canadian dollars, unless otherwise stated)

Results of Operations ... (continued)

The significant expenses comprise of the following:

| | 2020 | 2019 | 2018 |
|---|------------------|------------------|--------------------|
| | \$ | \$ | \$ |
| Revenues | - | - | - |
| Exploration expenses | 328,825 | 366,421 | 1,147,512 |
| Impairment provision for mineral properties | - | - | - |
| Recovery of mineral properties previously impaired | - | - | - |
| Impairment provision for reclamation bond | - | - | - |
| Administrative expenses (top 5 categories): | | | |
| Consulting and management fees | 193,542 | 133,320 | 138,680 |
| Foreign exchange | (14,737) | (68,622) | 121,096 |
| Investor relations and shareholder services | 64,054 | 80,317 | 145,065 |
| Office maintenance | 126,028 | 72,449 | 47,301 |
| Professional fees (legal and accounting) | 95,572 | 164,209 | 201,233 |
| Subtotal | 464,459 | 381,673 | 653,375 |
| % to total income/loss | 63% | 83% | 49% |
| Other administrative expenses | | | |
| Share-based compensation | 522,267 | - | - |
| Other administrative expenses | 56,132 | 72,449 | 50,243 |
| Interest income | (80) | (80) | (44) |
| Interest expense | 147,602 | 57,702 | 17,672 |
| Write-down of accounts receivable | - | 96,598 | - |
| Write-off of exploration fund liability | - | (252,154) | - |
| Write-off of accounts payable | (500) | (18,570) | - |
| Gain on settlement of debts | (778,965) | - | (530,471) |
| Net income (loss) for the year | (742,108) | (707,311) | (1,338,287) |
| Comprehensive earnings (loss) for the year | (742,108) | (707,311) | (1,338,287) |
| Basic and diluted earnings (loss) per common share | (0.03) | (0.08) | (0.02) |
| Total assets | 676,270 | 372,806 | 266,327 |
| Total non-current liabilities | 1,005,895 | 120,471 | 88,673 |
| Cash dividends declared per share | n/a | n/a | n/a |

Results of Operations – For the three months ended December 31, 2020

For the three months ended December 31, 2020, the Company incurred an operational income of \$45,693 (2019 – loss of \$263,189).

Consulting and management fees increased by \$6,632 due to a general increase in consulting fees compared to the prior period. Investor relations and shareholder services decreased by \$35,383, office maintenance decreased by \$15,840 and professional fees decreased by \$55,222 during the period mainly due to the Company's attempt to preserve cash. Foreign exchange gain increased by \$141,511 as a result of the translation of US dollar transactions and balances to the Company's functional currency in Canadian dollar during the period. Share-based compensation was \$38,584 related to the Company granting 200,000 stock options with an exercise price of \$0.30 per share and expiry date of five years from the grant date. The Company recognized a gain on settlement of debts in the amount of \$283,965 related to discounting the repayment of deferred long term payments upon entering into a debt reorganization with certain creditors during the year ended December 31, 2020.

Exploration expenses decreased by \$22,003 to \$50,339 on the properties compared to the prior period, mainly due to the exploration activity on the Pine Grove property.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2020**

(in Canadian dollars, unless otherwise stated)

Results of Operations ... (continued)

The Company's key projects are Pine Grove and Oro Cruz. The total costs incurred on all significant projects since 2007 is summarized in the table below:

| Exploration expenses (recoveries) | Pine Grove | Oro Cruz | Bell Mountain | La-Bufa | Other properties (refunds) | Total |
|--|------------------|------------------|------------------|--------------------|----------------------------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| 2020, (IFRS reporting) | 384,485 | 90,335 | - | - | - | 474,820 |
| 2019, (IFRS reporting) | 209,507 | 275,270 | - | - | 1,429 | 486,206 |
| 2018, (IFRS reporting) | 1,022,064 | 118,887 | - | - | 6,561 | 1,147,512 |
| 2017, (IFRS reporting) | 509,985 | (70,594) | - | - | 7,546 | 446,937 |
| 2016, (IFRS reporting) | (602) | 47,238 | - | - | - | 46,636 |
| 2015, (IFRS reporting) | 162,901 | 83,380 | 33,104 | - | - | 279,385 |
| 2014, (IFRS reporting) | 318,941 | 157,797 | 144,295 | 46,897 | 7,811 | 675,741 |
| 2013, (IFRS reporting) | 326,388 | 119,081 | 1,200,383 | 87,646 | 32,150 | 1,765,648 |
| 2012, (IFRS reporting) | 234,525 | 247,285 | 100,461 | 402,810 | 7,590 | 992,671 |
| 2011, (IFRS reporting) | 610,664 | 404,483 | - | 1,240,844 | 11,288 | 2,267,279 |
| 2010, (IFRS reporting) | 1,609,436 | 310,637 | - | 472,534 | 1,645 | 2,394,252 |
| 2009, (Canadian GAAP) | 553,319 | 7,586 | - | 121,861 | (7,898) | 674,868 |
| 2008, (Canadian GAAP) | 509,333 | - | - | 1,501,906 | 14,347 | 2,025,586 |
| 2007, (Canadian GAAP) | 154,145 | - | - | 163,705 | 25,287 | 343,137 |
| | 6,605,091 | 1,791,385 | 1,478,243 | 4,038,203 | 107,756 | 14,020,678 |
| Less recoveries | (33,438) | (571,722) | - | (1,051,735) | - | (1,656,895) |
| Total exploration expenses incurred | 6,571,653 | 1,219,663 | 1,478,243 | 2,986,468 | 107,756 | 12,363,783 |

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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2020**

(in Canadian dollars, unless otherwise stated)

4. Projects

Overview

Pine Grove Property, Nevada – The Pine Grove gold project, located in Lyon County, Nevada, is the Company's most advanced project. At the time of writing of this MDA Lincoln is well underway in the permitting studies needed to take the project to production. A prefeasibility study is planned for Spring 2021.

The Pine Grove property is a development-stage gold project. The property lies approximately 20 miles south of Yerington, in the Pine Grove Hills, Lyon County, Nevada. The Company has mining leases on the Wilson and Wheeler mines (patented claims) and 243 unpatented claims owned directly by Lincoln. The Company's land position covers approximately 7 square miles that encompass the main gold mineralization, exploration targets and adequate land for mine facilities. Two hundred seventy-five holes have been drilled in the district. Eighty-three holes were drilled in 2009 and 2010 by Lincoln.

At the Pine Grove project historic gold production was 240,000 ozs high-grade gold from underground mining in the late 1800s and early 1900s.

On December 8, 2011, a Preliminary Economic Assessment (PEA) was issued by Telesto Nevada Inc. of Reno, NV. An amended and restated PEA was issued on February 4, 2015 by Welsh-Hagen Associates (formerly Telesto Nevada Inc.) and their Qualified Persons, (see Lincoln News Release February 16, 2015).

The 2015 PEA reports total Measured and Indicated resources at 134,500 ozs gold contained in 3,373,000 tons of mineralized material grading 0.040 opt Au using a cutoff grade of 0.007 opt gold. Inferred resources were reported at 6,600 ozs gold contained in 160,000 tons of mineralized material grading 0.041 opt Au using a cutoff grade of 0.007 opt Au. In order to comply with the CIM definition for resources, only those mineralized blocks contained within a designed pit shell are reported as resources. These resources are contained in two conceptual pits, the Wheeler and the Wilson, based on a gold price of US\$1,425.

In August 2020, yearly land payments were made to the BLM and Lyon County to keep the property in good standing.

During the year ended December 31, 2016, the Company entered into an Exploration License Agreement (the "Agreement") with Placer Solutions LLC ("Placer"), a private company based in Montana, USA, to explore the placer claims on Lincoln's Pine Grove project in Nevada (the "Placer Claims"). The Agreement applies to the Company's Pine Grove placer claims only as it is the Company's intent to develop its lode claims separately.

In January 2017, Lincoln received word from Placer that it would carry on with its operation at the Pine Grove property. During the summer, fall and winter months of 2017 and into the early part of 2018 Placer carried out various work programs. The work included seismic refraction surveys, dump sampling, and sonic drilling of the dumps and natural occurring placer materials. Also in early 2018, Placer planned and completed screening operations and dump material stockpiling which was fed through a gravity recovery plant later in the year.



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(in Canadian dollars, unless otherwise stated)

Projects ... (continued)

The Agreement was terminated in 2019. Placer is required to carry out reclamation work on the area that it disturbed and to that end some reclamation work was completed at the property in the summer and fall of 2020. The land has been contoured and fenced. The only item left to complete is seeding of the area.

In June 2016, Goldcliff Resource Corporation ("Goldcliff"), a company with a common director, acquired the lease to the Wilson claims from the Company in exchange for Goldcliff assuming the future lease commitments as well as outstanding lease payments and work commitments.

In August 2016, the Company entered into an agreement with Goldcliff whereby Goldcliff could earn a 40% interest in the Wheeler and Votipka leases and Cavanaugh property in exchange for incurring US\$1,400,000 in exploration expenditure on the properties over three years, and conveying back to the Company a 60% interest in the Wilson lease that previously was acquired by Goldcliff. The Company is the operator for the earn-in.

By mid-December 2016, Goldcliff had completed a drilling program of 14 holes that totalled 2,132.6 metres (6,976.25 feet). All assays were received by the first of February and are reviewed in the news release of February 9, 2017. No additional exploration work was carried out on the property during 2017 or 2018; however, a number of permitting studies were performed.

A Binding Letter of Intent between Goldcliff and Lincoln for the selling back to Lincoln of the lease on the Wilson Patented Claims located in Lyon County, Nevada was signed in October 2019. The Wilson claims are part of the Pine Grove development project and were included in the Pine Grove Joint Venture between the two companies. Goldcliff will receive staged cash and share payments and retain title to the claims until all payments and share issuances are completed, (see News Release of October 8, 2019).

To aid the Company in all this work, Lincoln announced the engagement of an effective permitting team that will allow it to proceed with permitting of the Pine Grove project towards operation. The consulting team with respective task assignments is headed up by Stantec Consulting Services Inc. ("Stantec").

Stantec Consulting Services Inc. – For the collection of environmental baseline data and writing of environmental reports, Stantec has prepared documentation to present the results of acid base accounting ("ABA") and meteoric water mobility procedure ("MWMP") of samples from drill holes intended to test waste rock at Lincoln's proposed Pine Grove project. This testing was requested by the NDEP's Bureau of Mining Reclamation and Regulation ("BMRR"). Stantec has delivered initial archaeological, botanical and wildlife studies to the USFS. Stantec installed a meteorological station and has collected site-specific weather data since 2010.

On May 15, 2018, the Company through its subsidiary Lincoln Resource Group Corp., submitted a Mine Plan of Operations ("PoO") to the United States Forest Service, Humboldt-Toiyabe National Forest. The PoO was compiled by Welsh Hagen Associates of Reno, Nevada and incorporated data and information from a number of consulting companies that are working on the project. Submission of the PoO initiates the National Environmental Policy Act ("NEPA"), which requires the compilation of an Environmental Impact Statement ("EIS"), including public comment. The lead agency is the U.S. Forest Service – Bridgeport Ranger District in Bridgeport, California. Lincoln is working closely with its prime environmental contractor, Stantec and the U.S. Forest Service to advance the permitting process as quickly as possible.

In August 2018, the Company engaged a team of consultants to guide it through the production permitting process. Stantec has been chosen as the lead contractor for the EIS.

Oro Cruz Gold Property, Imperial County, California

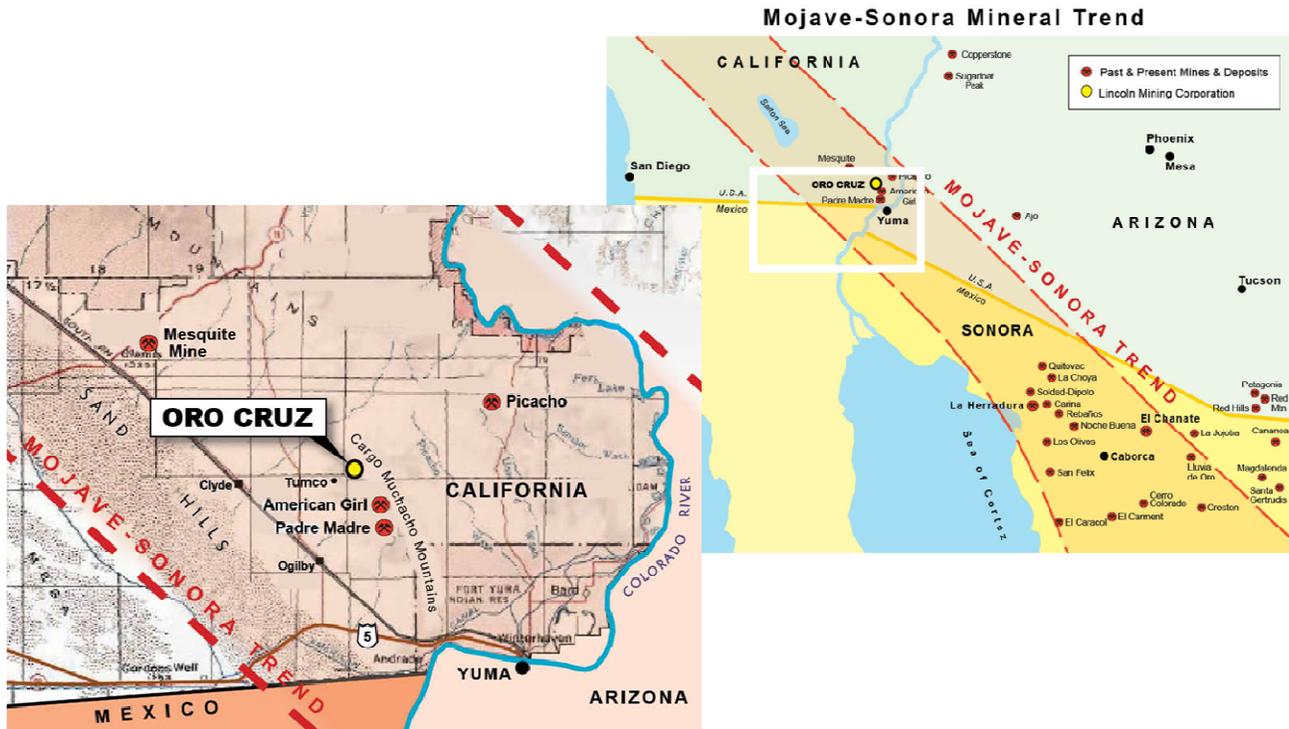
The Oro Cruz Property is located in the Tumco Mining District of southeastern California. The project is approximately 14 miles southeast from the operating Mesquite gold mine (New Gold Inc.) and adjacent to the past producing American Girl and Padre-Madre gold mines. Acquired in February 2010, Oro Cruz consists of 151 lode claims covering approximately 3,000 acres. Oro Cruz is a pre-development stage gold project.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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(in Canadian dollars, unless otherwise stated)

Projects ... (continued)

In September 2010, Lincoln filed a NI 43-101 technical report. Oro Cruz has an Inferred resource estimate of 376,600 ozs gold, grading 0.050 opt gold at a 0.01 opt cutoff grade. The existing pit and underground decline expose gold mineralization. Previous work has identified multiple exploration targets and Lincoln has identified several satellite gold zones, which offer potential for increasing gold resources.



The Tumco district was first discovered by the Spaniards and mined as early as 1780-81. The district is believed to have produced the first gold in California. Most recent production was by the American Girl Joint Venture whereby MK Gold Company produced 61,000 ozs gold in one year (1995-96) from open-pit and underground operations. Ore was hauled 2 miles to the southeast where it was milled and heap leached on the American Girl mine site. MK Gold ceased mining when gold prices dropped. Prior to cessation of mining, MK Gold was in the process of a pit wall push back to access additional “ore” in the pit. Gold mineralization remains exposed in the open pit and also in the underground workings.

Claim payments have been made in the summer of 2020 to the BLM and Imperial County to keep the property in good standing.

Oro Cruz Gold Resources – September 2010 – Tetra Tech Report

| Category | Cutoff Grade (opt gold) | Short Tons | Average Grade (opt gold) | Contained Ozs Gold |
|----------|-------------------------|------------|--------------------------|--------------------|
| Inferred | 0.02 | 4,835,000 | 0.070 | 341,800 |
| Inferred | 0.01 | 7,860,000 | 0.050 | 376,600 |

On October 1, 2019, the Company entered into a formal Option and Joint Venture Agreement with Demerara Gold Corp. (“Demerara”) and Bell Mountain Exploration Corp. (“Bell Mountain” – a subsidiary of Eros Resources Corp.) collectively the “Optionee”, granting the Optionee an option to earn up to an undivided 75% interest in the Oro Cruz Property.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2020**

(in Canadian dollars, unless otherwise stated)

Projects ... (continued)

On March 18, 2020 Owl Capital Corp. ("Owl") closed its previously announced Qualifying Transaction with Eros Resources Corp. ("Eros") and Demerara whereby Owl acquired Demerara and Eros and thereby acquired the 75% earn-in option interest in the Oro Cruz Gold project in California. As a result of closing the Qualifying Transaction the company changed its name to Southern Empire Resources Corp. and was listed as a Tier 2 mining issuer on the TSX Venture Exchange.

Southern Empire continues work on the property as they need to spend \$2.1 million US to earn the 75% interest.

The Oro Cruz property has excellent potential for open-pit and underground mining. An Inferred resource for the project was reported in a NI 43-101 Technical Report in September 2010.

New Opportunities

Lincoln continues to evaluate mineral properties that contain significant drilled gold resources. Evaluations are focused on deposits in the western United States. Gold properties with economic merit and good logistics will be considered for acquisition.

5. Liquidity and Solvency

The following table summarizes the Company's cash on hand, working capital and cash flow:

| | December 31, 2020 | December 31, 2019 |
|----------------------------|------------------------------|------------------------------|
| | \$ | \$ |
| Working capital deficiency | (1,076,400) | (2,817,436) |
| Long-term debt | 1,005,895 | 120,471 |

| | Year ended December 31, 2020 | Year ended December 31, 2019 |
|---|---|---|
| | \$ | \$ |
| Cash used in operating activities | (735,129) | (1,083,566) |
| Cash (used in) provided by investing activities | (103,183) | 288,315 |
| Cash provided by financing activities | 895,963 | 781,393 |
| Change in cash | (57,651) | (13,858) |

On September 24, 2019, the Company consolidated its common shares on the basis of ten pre-consolidated common shares for one post-consolidated common share. The number of common shares outstanding has been retroactively adjusted in these audited consolidated financial statements to reflect the share consolidation. Simultaneously with the share consolidation, the Company also completed a name change to Lincoln Gold Mining Inc. from Lincoln Mining Corporation.

On December 17, 2020, the Company issued 2,180,000 common shares pursuant to the exercise of 2,180,000 warrants at an exercise between \$0.10 and \$0.14 per share for total proceeds of \$273,200.

On August 28, 2020, the Company issued 500,000 shares at a value of \$120,000 to Goldcliff, pursuant to the Pine Grove Property, Nevada mineral interest. The Company also issued 1,055,123 common shares in connection with the final exercise of Special Warrants as described below.

On August 13, 2020, the Company closed a non-brokered private placement. The Company issued a total of 4,856,363 units at a price of \$0.11 per unit for total gross proceeds of \$534,200. Each unit is comprised of one common share of the Company and one-half common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.15 per share for a period of 24 months.

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Liquidity and Solvency ... (continued)

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

On April 17, 2020, the Company issued 800,000 shares to Goldcliff Resource Corporation with respect to the Pine Grove acquisition.

On April 8, 2020, the Company closed a non-brokered private placement offering (the "Private Placement") of 2,200,000 units of the Company (the "Units") at a price of \$0.075 per Unit to raise gross proceeds of \$165,000. Each Unit consists of one common share in the capital of the Company (a "Common Share") and one half of a Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder, on exercise thereof, to purchase one additional Common Share at a price of \$0.10 for a period of 24 months from the closing of the Private Placement.

In March 2020, the Company entered into various settlement agreements with respect to approximately \$1,355,720 of debts. Of this amount, 1,570,000 common shares were issued to settle indebtedness to certain related parties of \$157,000 and 630,000 common shares were issued to settle promissory notes payable of \$63,000. The remaining debt of approximately \$1,180,910 was restructured and became payable over three years.

On November 18, 2019, the Company issued 1,200,000 shares to Goldcliff, pursuant to the Pine Grove Property, Nevada mineral interest. On April 17, 2020, the Company issued 800,000 shares to Goldcliff with respect to the Pine Grove acquisition.

On October 30, 2019, the Company closed a non-brokered private placement. The Company issued a total of 6,400,000 units at a price of \$0.10 per unit for total gross proceeds of \$640,000. Each unit is comprised of one common share of the Company and one-half common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.14 per share until October 30, 2021.

On October 1, 2019, the Company entered into a formal Option and Joint Venture Agreement with Demerara Gold Corp. ("Demerara") and Bell Mountain Exploration Corp. ("Bell Mountain") collectively the "Optionee", granting the Optionee an option to purchase up to an undivided 75% interest in the Oro Cruz Property – See Note 5. As of September 30, 2019, Demerara and Bell Mountain have advanced \$252,154 (December 31, 2018 - \$33,010) to the Company. With the signing of the formal agreement, these advances are no longer payable, and will be acknowledged as applied towards exploration expenditures and have been recorded as a recovery.

On July 10, 2019, the Company issued 544,877 fully-paid common shares pursuant to the exercise of 544,877 Special Warrants. On June 9, 2017, the Company completed a debt settlement agreement (the "Settlement") with two former directors of the Company (the "Creditors") with respect to outstanding debt (including principal and interest) totaling \$4,033,795, of which \$1,298,352 was included in loans payable. Under the terms of the Settlement, the Creditors were issued an aggregate of 92,950 common shares of the Company and 1.6 million special warrants (the "Special Warrants"). Each Special Warrant may be exercised for only fully paid and nonassessable common share (a "Special Warrant Share") in the capital of the Company without payment of additional consideration for a period of 10 years from the date of issue. After this transaction there were 1,055,123 special warrants left. As of the date of this MD&A, there are no Special Warrants outstanding.

Capital Resources

The Company's primary sources of funding are equity financing through the issuance of stock and debt financing. The Company has no operations that generate cash flows and its long term financial success is dependent on discovering properties that contain mineral reserves that are economically recoverable.

The Company exercises its best effort to seek and utilize its capital resources in an efficient manner in order to meet its business commitments including exploration and mineral property development, acquisitions and working capital.

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Capital Resources ... (continued)

Capital risk management

The Company defines its capital as shareholders' deficiency. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has interests are in the exploration stage. As such, the Company has historically relied on the equity markets to fund its activities. In addition, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will need to raise additional funds in the future until the production commences. The Company will continue to assess new properties and seek to acquire an interest in additional properties if management consider there is sufficient geologic or economic potential and the Company has adequate financial resources and support from investors. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

6. Commitment

During the year ended December 31, 2015, the Company signed a new office lease effective October 1, 2015 in the amount of \$4,642 per month plus escalation for a period of three years. In April 2018, the Company extended the lease for another three years for similar rates.

7. Off-Balance Sheet Arrangements

None.

8. Outstanding Share Data

The Company's issued and outstanding common shares are 29,706,082 as at the date of this report. Subsequent to the year end, 250,000 shares were issued to Goldcliff pursuant to the Pine Grove Property, Nevada mineral interest.

The Company has 2,250,000 stock options with an exercise price of \$0.30 per share expiring on August 17, 2025 and 200,000 stock options with an exercise price of \$0.30 per share expiring on October 7, 2025.

The Company has a total of 3,328,590 share purchase warrants with exercise price of \$0.80 expiring on April 26, 2022; 1,820,000 share purchase warrants with exercise price of \$0.14 expiring on October 30, 2021, 300,000 share purchase warrants with exercise price of \$0.10 expiring April 8, 2022 and 2,665,227 share purchase warrants with an exercise price of \$0.15 expiring August 13, 2022.

9. Related Party Transactions

The following transactions were carried out with related parties:

Key management personnel – services rendered and other compensation

Key management includes officers and directors – executive and non-executive. The compensation paid or payable to key management personnel for the services rendered during the year ended December 31, 2020 and 2019 were as follows:

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Related Party Transactions ... (continued)

| | Year ended December 31, 2020 | Year ended December 31, 2019 |
|--------------------------|---------------------------------|---------------------------------|
| | \$ | \$ |
| Management fees | 108,000 | 108,000 |
| Corporate fees | 15,000 | - |
| Exploration expenses | 144,651 | 155,202 |
| Accounting fees | 39,500 | 60,000 |
| Share-based compensation | 345,073 | - |
| Total | 652,224 | 323,202 |

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period. The Company also reimburses key executive directors for travel and other expenses incurred in the normal course of business.

During the year ended December 31, 2020, the Company paid/accrued management fees of \$108,000 (2019 - \$108,000) to a company controlled by Mr. Paul Saxton, the Chief Executive Officer, President and a director of the Company.

During the year ended December 31, 2020, the Company paid/accrued accounting fees of \$24,500 (2019 - \$Nil) to a company controlled by Mr. Dong Shim, the Chief Financial Officer of the Company.

During the year ended December 31, 2020, the Company paid/accrued accounting fees of \$15,000 (2019 - \$60,000) and corporate services of \$15,000 (2019 - \$Nil) to a company controlled by Mr. Eugene Beukman, the former Chief Financial Officer of the Company.

During the year ended December 31, 2020, the Company paid/accrued consulting fees of \$119,767 (2019 - \$155,202) included in exploration expenses to Mr. Jeff Wilson, the former Vice President of Exploration of the Company.

During the year ended December 31, 2020, the Company paid/accrued consulting fees of \$24,884 (2019 - \$Nil) included in exploration expenses to Mr. Joseph Sawyer, the Vice President of Exploration of the Company.

During the year ended December 31, 2020, the Company recorded share-based compensation of \$345,073 (2019 - \$Nil) to management and directors of the Company related granting of 2,200,000 stock options with an exercise price of \$0.30 per share and expiry date of five years from the grant date.

Balance due to related parties

| | As at December 31, 2020 | As at December 31, 2019 |
|--|-------------------------------|-------------------------------|
| | \$ | \$ |
| Executive officers and their controlled companies | 973,208 | 499,195 |
| Directors | 9,000 | 15,000 |
| Total | 982,208 | 514,195 |
| Current portion of balance due to related parties | (263,467) | (514,195) |
| Long-term portion of balance due to related parties | 718,741 | - |

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Related Party Transactions ... (continued)

On February 25, 2020, the Company negotiated a debt reorganization with certain related parties to defer repayment in the total amount of \$930,000, consisting of \$407,000 and US\$394,000, for a period of up to three years from the date of the debt settlement agreement with each respective party. Repayment is due on the following terms:

| | |
|---|---|
| First anniversary of debt settlement agreement | \$5,000 payable to the former CFO \$6,366 (US\$5,000) payable to VP of Operations \$19,098 (US\$15,000) payable to VP of Exploration |
| Second anniversary of debt settlement agreement | \$35,000 payable to the President \$5,000 payable to the former CFO \$26,737 (US\$21,000) payable to VP of Operations \$53,474 (US\$42,000) payable to VP of Exploration |
| Third anniversary of debt settlement agreement | \$362,000 payable to the President \$115,861 (US\$91,000) to VP of Operations \$280,104 (US\$220,000) payable to VP of Exploration |

The balance due to these related parties related to the debt reorganization is initially measured at the present value of the payments in the amount of \$865,181 on the debt settlement date, using a discount rate of 10%. This resulted in the Company recognizing a gain on settlement of debt of \$223,724 and interest expense of \$59,719 during the year ended December 31, 2020.

Balance due from related parties

| | As at December 31, 2020 | As at December 31, 2019 |
|-------------------------------------|--|--|
| | \$ | \$ |
| Companies with a director in common | 590 | 2,625 |
| Directors | - | 1,799 |
| Total | 590 | 4,424 |

Loans

During the year ended December 31, 2020, the Company received \$Nil (2019 - \$Nil), and repaid \$7,756 (2019 - \$17,005), unsecured demand loan from the President of the Company. The remaining balance of the loan is unsecured, bearing interest at 5% per annum, calculated and payable on demand. The Company may repay the principal, in whole or in part, at any time without penalty. As at December 31, 2020, the loan payable balance to the President of the Company was \$46,976 (2019 - \$59,795). On February 25, 2020, the Company negotiated a debt reorganization with respect to this unsecured demand loan to defer repayment in the amount of \$60,000 for a period of up to three years from the date of the debt settlement agreement. Repayment of \$20,000 is due on the one year anniversary of the debt settlement agreement, \$10,000 is due on the second year anniversary of the debt settlement agreement and \$30,000 is due on the third anniversary of the debt settlement agreement.

As of December 31, 2020, the Company had received advances totaling \$440,000 (2019 - \$440,000) from Mr. Ronald K. Netolitzky, a previous control person of the Company, and two other companies controlled by Mr. Ronald K. Netolitzky. The advances are unsecured, non-interest bearing and due on demand. On May 20, 2020, the Company entered into a sale and purchase agreement to assign a 25% interest in and to the ADGIS Agreement and an undivided 25% interest in and to the Oro Cruz Property in full and final settlement of the total advances of \$440,000. The Company recognized a gain on settlement of debts of \$440,000 related to this sale and purchase agreement during the year ended December 31, 2020.

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Related Party Transactions ... (continued)

During the year ended December 31, 2015, the Company received US\$66,000 from a company that has an insider in common with Lincoln. During the year ended December 31, 2017, the existing promissory note was terminated and both parties subsequently entered into a new promissory note agreement consisting of the existing principal and interest in the aggregate amount of US\$71,000. The loan is secured by the Company's US properties and evidenced by a promissory note bearing interest at 9% per annum. Principal and accrued interest was payable upon termination of the note on September 15, 2017. On January 3, 2018, the Company issued 643,441 common shares for settlement of debt in the amount of \$32,172.

During the year ended December 31, 2016, the Company received \$6,527 from a company with certain directors in common. The loan is unsecured, non-interest bearing and due on demand.

On August 24, 2018, September 11, 2018, October 23, 2018, January 23, 2019 March 29, 2019 and May 30, 2019, the Company received \$65,180 (US\$50,000), \$65,070 (US\$50,000), \$91,994 (US\$70,000), \$93,436 (US\$70,000), \$66,815 (US\$50,000) and \$53,344 (US\$40,000) respectively from Dragon Hill Creation Limited, respectively, a company controlled by a director of the Company. The loans are unsecured and evidence by promissory notes bearing interest at 10% per annum, calculated and payable on the termination date of the promissory notes being June 30, 2019. The Company may prepay the principal, in whole or in part, at any time without penalty and the terms of the loans are currently being renegotiated.

Other transactions with related parties

During the year ended December 31, 2020, the Company received \$14,716 (2019 - \$23,300) from Golden Band and Goldcliff for office rent. These companies have certain officers and directors in common.

Goldcliff is a public company with a director in common with the Company.

During the year ended December 31, 2019, the Company provided an allowance of \$96,598 against the same amount owing from a Company with a director in common.

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

10. Proposed Transactions

There are no proposed transactions that will materially affect the performance of the Company.

11. Accounting Policies - International Financial Reporting Standards (IFRS)

The accounting policies and methods employed by the Company determine how it reports its financial condition and results of operations, and may require management to make judgements or rely on assumptions about matters that are inherently uncertain. The Company's results of operations are reported using policies and methods in accordance with IFRS. In preparing financial statements in accordance with IFRS, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and expenses for the period.

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Accounting Policies – International Financial Reporting Standards (IFRS) ... (continued)

Changes in Accounting Standards

IFRS 16 – Leases. The Company adopted IFRS 16 effective on January 1, 2019 using the modified retrospective approach. In accordance with the transition provisions in IFRS 16, the new rules have been adopted retrospectively with the cumulative effect of initially applying the new standard recognized on January 1, 2019. The comparatives for the 2018 reporting period have not been restated and are accounted for under IAS 17 – Leases, and IFRIC 4 – Determining Whether an Arrangement Contains a Lease, as permitted under the specific transitional provisions in the standard. The transitional adjustments arising from the adoption are recognized in the opening balance sheet on January 1, 2019. Upon adoption of IFRS 16, the Company recognized lease liabilities in relation to a lease for office space which had previously been classified as “operating lease” under the principles of IAS 17 – Leases under which these lease payments were recorded as expenses as they were incurred. Under IFRS 16, these liabilities were measured at the present value of the remaining lease payments as at January 1, 2019, discounted using the Company's incremental borrowing rate. The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 20%. An associated right-of-use asset for the lease was measured at the amount equal to the lease liability on January 1, 2019.

As at January 1, 2019, the Company recognized \$125,120 in right-of-use assets and lease liabilities as summarized below:

| | |
|---|------------|
| Minimum lease payments under operating leases as of December 31, 2018 | \$ 159,312 |
| Effect from discounting at the incremental borrowing rate as of January 1, 2019 | (20,864) |
| Lease liabilities recognized as of January 1, 2019 | 138,448 |
| Right-of-use assets recognized as of January 1, 2019 | 138,448 |

As a result of the adoption of IFRS 16, the Company has amended its accounting policy for leases, from that disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2018.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the Company has the right to obtain substantially all of economic benefits from use of the asset during the term of the arrangement and if the Company has the right to direct the use of the asset.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any commissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in our estimated or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit on a straight-line basis over the lease term.

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Accounting Policies – International Financial Reporting Standards (IFRS) ... (continued)

Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Company's title on mineral property interests

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry practice for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Share-based compensation

The Company uses the Black-Scholes option pricing model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can significantly change the fair value estimate and the Company's earnings and equity reserves.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Management reviews its estimates and assumptions on an ongoing basis using the most current information available.

12. Financial Instruments

Categories of financial instruments

| | December 31, 2020 | December 31, 2019 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Financial assets * | | |
| <i>Amortized at cost</i> | | |
| Cash | 113,895 | 56,244 |
| Other receivables | 31,154 | 4,456 |
| | 145,049 | 60,700 |
| Financial liabilities | | |
| <i>Amortized at cost</i> | | |
| Accounts payable and accrued liabilities | 501,250 | 1,234,038 |
| Due to related parties | 982,208 | 514,195 |
| Lease liability | 43,237 | 95,105 |
| Loans payable | 46,976 | 59,795 |
| Promissory notes | 591,663 | 1,064,987 |
| | 2,165,314 | 2,968,120 |

* Sales taxes recoverable do not represent financial instruments and are excluded from the analysis.

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Financial Instruments ... (continued)

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Fair value

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

13. Risks and Uncertainties

Foreign exchange risk

The Company's operations in the United States expose the Company to foreign exchange risk. The Company is subject to currency risk due to the fluctuations of exchange rates between the Canadian and US dollars. The Company does not believe it is exposed to significant foreign exchange risk. A 10% fluctuation in the foreign exchange rate between the Canadian and US dollar will result in a foreign exchange gain/loss of approximately \$107,000. The Company does not enter into derivative financial instruments to mitigate foreign exchange risk.

Credit risk

The Company is not exposed to material credit risk.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not hold any financial liabilities with variable interest rates.

Liquidity risk

The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and through short-term borrowing. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities.

Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

Price risk

The ability of the Company to explore its mineral properties and the future profitability of the Company are directly related to the market price of precious metals. The Company monitors precious metals prices to determine the appropriate course of action to be taken by the Company.

Coronavirus global pandemic risk

In March 2020 the World Health Organization declared the coronavirus 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 ability to raise funds.

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Risks and Uncertainties ... (continued)

Other

The Company's principal activity is mineral property development and exploration. Companies in this industry are subject to many and varied kinds of risk, including but not limited to, environmental, metal prices, political, economical and now health related issues.

The mineral exploration business is risky and most exploration projects will not become mines. The Company may offer an opportunity to a mining company to acquire an interest in a property in return for funding all or part of the exploration and development of the property. For the funding of property acquisitions and/or exploration that the Company conducts, the Company depends on the issue of shares from the treasury to investors. These stock issues depend on numerous factors including a positive mineral exploration, environment, positive stock market conditions, a company's track record and the experience of management.

The Company has no significant source of operating cash flow and no revenues from operations. The Company has not yet determined whether its mineral properties contain mineral reserves that are economically recoverable. The Company has limited financial resources. Substantial expenditures are required to be made by the Company to establish reserves.

There is no guarantee that the Company will be able to contribute or obtain all necessary resources and funds for the exploration and exploitation of its permits, and may fail to meet its planned commitments.

The properties that the Company has an option to earn interests in are in the exploration and permitting stages. They are without known bodies of commercial mineralization, and have no ongoing mining operations. Mineral exploration involves a high degree of risk and few properties, that are explored, are ultimately developed into producing mines.

Exploration of the Company's mineral properties may not result in any discoveries of commercial bodies of mineralization that could be developed into operations with positive cash flows. If the Company's efforts do not result in any discovery of commercial mineralization, the Company will be forced to look for other exploration projects or cease operations.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters.

World health related issues associated with COVID-19 pandemic may impede the Company from completing the permitting process as quickly as first thought possible. At the time of writing this MDA there are numerous issues associated with the pandemic that remain unclear. How this will affect the Company's ability to proceed with funding the Company and carry on with ongoing permitting is uncertain.

14. Trends

Trends in the industry can materially affect how well any junior exploration company is performing. There are two trends that seem to affect the well-being of junior miners. Both of these trends are very mixed these days because of the Covid-19 and the uncertainty that it has brought to the world.

One is the price of commodities that are being produced and the other is the general market condition. Over the last few years the trend in the prices of precious metals, in particular gold, has been mixed on the spot basis as well as the average trailing prices of the metals. The gold price has been fluctuating between \$2050 US and \$1800 per ounce over the last few months and since the middle of November it has been trending downward toward \$1800. Subsequent to the year end the price of gold has dropped to as low as \$1680 US.

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Trends ... (continued)

The other aspect is the general stock market conditions. Unfortunately, the junior mining sector has been under tremendous negative pressure in the market over the last few years however this condition appears to be changing and as the junior gold market issuers has been up consistently over the last 5 months. Previous to the gold market moving upward significant amounts of investing have occurred in the marijuana and blockchain areas which has taken away from investment in the junior mining industry. Lincoln is committed to advancing its properties to production as quickly as possible to get into a positive cash flow position.

15. Outlook

Precious metals prices, especially gold, are rallying strongly on the short term however depending on economic conditions world-wide and world events including the Corona Virus this could change. These changes can be not only to interest rate changes in the U.S. but the world economy in general. Lincoln will require significant investment as it transitions into development stage projects. This needed investment may become more difficult to obtain if these world wide conditions persist. Lincoln management's objective is to become a new junior gold-silver producer in the United States, where there is no threat to mineral tenure or repatriation of mining profits.

Cautionary Statement

This document contains "forward-looking statements" within the meaning of applicable Canadian securities regulations. All statements other than statements of historical fact herein, including, without limitation, statements regarding exploration plans and our other future plans and objectives are forward-looking statements that involve various risks and uncertainties. Such forward-looking statements include, without limitation, (i) estimates of exploration investment and scope of exploration programs, and (ii) estimates of stock-based compensation expense. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statement. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date of statements are made, and the Company endeavours to update corporate information and material facts on a timely basis. Forward-looking statements are subject to risks, uncertainties and other actors, including risks associated with mineral exploration, price volatility in the mineral commodities we seek, and operational and political risks.