
**INTERCONTINENTAL GOLD AND METALS LTD.
CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
PERIOD ENDED SEPTEMBER 30, 2019
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)**

Notice To Reader

The accompanying unaudited condensed interim consolidated financial statements of Intercontinental Gold and Metals Ltd. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

Intercontinental Gold and Metals Ltd.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

Unaudited

	As at September 30, 2019	As at December 31, 2018
ASSETS		
Current assets		
Cash (note 3)	\$ 549,911	\$ 1,215,342
Receivables (note 4)	267,623	256,018
Inventory (note 5)	8,298,918	2,755,125
Prepaid expenses and advances (note 6)	1,737,632	677,075
Total current assets	10,854,084	4,903,560
Non-current assets		
Equipment (note 7)	596,571	445,987
Right-of-use asset (note 8)	3,984	-
Goodwill (note 9)	1,043,359	1,043,359
Total assets	\$ 12,497,998	\$ 6,392,906
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities (notes 10 and 16)	\$ 7,898,192	\$ 961,145
Customer deposits (note 11)	-	962,768
Income tax payable	305,892	413,000
Total current liabilities	8,204,084	2,336,913
Non-current liabilities		
Promissory notes (note 12)	4,410,782	4,266,535
Contingent consideration (note 9)	542,962	479,776
Total liabilities	13,157,828	7,083,224
Shareholders' deficiency		
Share capital (note 14)	33,586,699	33,586,699
Reserves (note 15)	4,992,233	4,947,441
Accumulated other comprehensive income	66,638	80,261
Deficit	(39,305,400)	(39,304,719)
Total shareholders' deficiency	(659,830)	(690,318)
Total liabilities and shareholders' deficiency	\$ 12,497,998	\$ 6,392,906

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.
Nature of operations and going concern (note 1)

Approved on behalf of the Board:

"Gorden Glenn", Director

"John Anderson", Director

Intercontinental Gold and Metals Ltd.

Condensed Interim Consolidated Statements of Income (loss) and Comprehensive Loss

(Expressed in Canadian Dollars)

Unaudited

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Revenue	\$ 136,009,227	\$ 35,249,072	\$ 269,397,571	\$ 73,956,599
Cost of sales	134,802,360	34,649,392	266,962,131	73,277,183
	1,206,867	599,680	2,435,440	679,416
Operating expenses				
Accounting and audit	26,183	12,509	23,668	95,081
Consulting fees (note 16(b))	181,949	211,629	550,033	587,827
Director fees (note 16(b))	8,000	8,000	24,000	23,000
Business development	27,733	53,907	63,279	131,880
Shareholder information and investor relations	11,830	63,915	18,652	236,806
Legal (note 16(a))	711	59,858	4,587	253,499
Office and miscellaneous	483,755	16,316	799,802	237,698
Depreciation (notes 7 and 8)	13,341	22,640	37,683	54,121
Salaries and benefits (note 16)	-	15,717	-	175,391
Share-based compensation (note 15)	-	-	44,792	344,540
Transfer agent and regulatory fees	7,070	3,107	14,580	14,498
	(760,572)	(467,598)	(1,581,076)	(2,154,341)
Unrealized loss on marketable securities	-	(200)	-	(275)
Gain on debt settlement (notes 16 and 14(b)(i))	-	-	86,302	-
Foreign exchange gain	133,416	13,114	(253,683)	103,712
Accretion on promissory note (note 12)	(69,092)	(43,319)	(144,247)	(117,172)
Accretion of lease liability (note 13)	(412)	-	(3,052)	-
Interest expense on promissory note (note 12)	(147,740)	(189,002)	(434,960)	(542,081)
Interest and other income	87,415	(160,222)	145,544	419,002
Income (loss) before income taxes	449,882	(247,547)	250,268	(1,611,739)
Income tax expense	(90,325)	-	(250,949)	(56,000)
Net income (loss) for the period	\$ 359,557	\$ (247,547)	\$ (681)	\$ (1,667,739)
Other comprehensive income				
Foreign currency translation adjustment	\$ (556,104)	\$ (7,853)	\$ (13,623)	\$ 9,684
Total comprehensive loss for the period	\$ (196,547)	\$ (255,400)	\$ (14,304)	\$ (1,658,055)
Basic and diluted net loss per share	\$ 0.02	\$ (0.02)	\$ (0.00)	\$ (0.10)
Weighted average number of common shares outstanding (basic and diluted)	18,022,000	14,703,420	18,022,000	17,405,882

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

Intercontinental Gold and Metals Ltd.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
Unaudited

Nine months ended September 30,	2019	2018
Operating activities		
Net loss for the period	\$ (681)	\$ (1,667,739)
Adjustments for:		
Depreciation expense	88,341	31,481
Income tax expense	(107,108)	56,000
Share-based compensation	44,792	344,540
Unrealized loss on marketable securities	-	75
Accretion of lease liability	3,052	-
Loss (gain) on debt settlement	(86,302)	-
Accretion on promissory notes	144,247	73,853
Accrued interest expense	434,960	331,637
Foreign exchange	129,564	1,724
Changes in non-cash working capital items:		
Receivable	(11,605)	354,531
Prepaid expenses and advances	(1,060,557)	(1,426,716)
Inventory	(5,543,793)	(5,495,670)
Accounts payable and accrued liabilities	6,875,990	8,800,394
Customer deposits	(962,768)	3,764
Due to related party	-	(78,564)
Net cash provided by (used in) operating activities	(51,868)	1,329,310
Investing activities		
Acquisition of equipment	(218,202)	(127,972)
Payment of contingent consideration	(88,230)	-
Net cash used in investing activities	(306,432)	(127,972)
Financing activities		
Unit financing	-	3,306,500
Unit financing costs	-	(143,231)
Due to related party	-	554
Exercise of broker warrants	-	20,400
Lease payments	(38,879)	-
Payment of interest expense	(287,600)	-
Net cash provided by (used in) financing activities	(326,479)	3,184,223
Impact of foreign exchange on cash balance	19,348	16,893
Net change in cash	(665,431)	4,402,454
Cash, beginning of period	1,215,342	519,735
Cash, end of period	\$ 549,911	\$ 4,922,189

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

Intercontinental Gold and Metals Ltd.

Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian Dollars)

Unaudited

	Share Capital		Reserves		Accumulated other comprehensive income	Deficit	Total
	Number of shares	Amount	Warrants	Share-based compensation reserve			
Balance, December 31, 2017	14,703,420	\$ 32,720,055	\$ 10,387	\$ 4,427,314	\$ (2,589)	\$(37,443,227)	\$ (288,060)
Shares and warrants issued in private placements (note 14)	2,818,044	861,731	349,201	-	-	-	1,210,932
Share issue costs (note 14)	-	(36,768)	-	-	-	-	(36,768)
Broker warrants issued in private placement (note 15)	-	(33,680)	33,680	-	-	-	-
Shares issued upon exercise of stock options	208,536	20,854	-	-	-	-	20,854
Reclassification of fair value of stock options exercised	-	6,438	(6,438)	-	-	-	-
Stock based compensation	-	-	-	344,540	-	-	344,540
Foreign exchange translation adjustments	-	-	-	-	9,684	-	9,684
Net loss and comprehensive loss for the period	-	-	-	-	-	(1,667,739)	(1,667,739)
Balance, September 30, 2018	17,730,000	\$ 33,538,630	\$ 386,830	\$ 4,771,854	\$ 7,095	\$(39,110,966)	\$ (406,557)
Balance, December 31, 2018	18,022,000	\$ 33,586,699	\$ 205,613	\$ 4,741,828	\$ 80,261	\$(39,304,719)	\$ (690,318)
Stock based compensation	-	-	-	44,792	-	-	44,792
Foreign exchange translation adjustments	-	-	-	-	(13,623)	-	(13,623)
Net loss and comprehensive loss for the period	-	-	-	-	-	(681)	(681)
Balance, September 30, 2019	18,022,000	\$ 33,586,699	\$ 205,613	\$ 4,786,620	\$ 66,638	\$(39,305,400)	\$ (659,830)

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

Intercontinental Gold and Metals Ltd.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2019

(Expressed in Canadian Dollars)

Unaudited

1. Nature of operations and going concern

Intercontinental Gold was incorporated under the British Columbia Business Corporations Act and on October 30, 2017 was continued to Ontario and is now registered under the Ontario Business Corporations Act. The Company's head office is located at 217 Queen Street W., Suite 401, Toronto, Ontario, M5V 0R2 and it is listed on the TSX-Venture and Frankfurt exchanges under the symbol ICAU and G2W2, respectively.

The Company has been in the business of acquiring exploration and evaluation assets and in June 2015, the Company initiated the strategy of becoming an integrated metal trading and resources company.

On August 9, 2017, the Company completed the acquisition (the "Acquisition") of all of the outstanding shares of Goldway S.R.L. ("Goldway") in exchange for (i) the issuance by the Company to Goldway's shareholders of a total of 5,000,000 common shares; (ii) US\$100,000, payable in cash and (iii) US\$500,000 deferred contingent cash consideration pursuant to a share exchange agreement (the "Share Exchange Agreement"). As a result of the Acquisition, Goldway has become a wholly-owned subsidiary of the Company and will continue to be active in the gold and metals trading business in Bolivia. With the completion of the Acquisition, the Company restructured into a revenue generating, gold and metals trading business.

During the period ended December 31, 2018, the Company changed its year end from March 31 to December 31.

During the period ended December 31, 2018, the Company incorporated a wholly owned subsidiary Intercontinental Gold and Metals S.A.C. in Peru.

As at September 30, 2019, the Company has a working capital of \$2,650,000 (December 31, 2018 – \$2,566,647) and an accumulated deficit of \$39,305,400 (December 31, 2018 – \$39,304,719). The Company expects to incur further losses in the development of its business. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

These unaudited condensed interim consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

2. Significant accounting policies

Statement of compliance

The Company applies 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"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

Intercontinental Gold and Metals Ltd.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2019

(Expressed in Canadian Dollars)

Unaudited

2. Significant accounting policies (continued)

Statement of compliance (continued)

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of November 6, 2019, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual financial statements as at and for the year ended December 31, 2018. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2019 could result in restatement of these unaudited condensed interim consolidated financial statements.

New standards adopted

The Company has adopted IFRS 16 – Leases, which is effective for annual reporting periods beginning on or after January 1, 2019. Previously, the Company classified leases as operating or finance leases based on IAS 17 - Leases.

The Company has applied IFRS 16 in accordance with the modified retrospective approach only to contracts that were previously identified as leases. Contracts that were not identified as leases under previous standards were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019. The Company has determined that there is no change to the comparative periods required as a result of the adoption of this standard.

On initial application, for leases previously classified as operating leases under IAS 17, the Company has elected to record right-of-use assets based on the corresponding lease liability. As such, as at January 1, 2019, the Company recorded lease obligations of \$36,286 and right-of-use assets of \$36,286, with no net impact on deficit (See Notes 8 and 13).

When measuring lease liabilities for those leases previously classified as operating leases under IAS 17, the Company discounted future lease payments using its incremental borrowing rate as at January 1, 2019. The weighted-average rate applied is 20%.

The Company has elected to apply the practical expedient on facility leases, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Company's accounting policy for leases under IFRS 16 is as follows:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right-of-use asset is measured at cost, where cost comprises: (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Intercontinental Gold and Metals Ltd.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2019

(Expressed in Canadian Dollars)

Unaudited

2. Significant accounting policies (continued)

New standards adopted (continued)

A lease liability is initially measured at the present value of the unpaid lease payments discounted using the interest rate implicit in the lease or if that rate cannot be reliably determined, the Company's incremental borrowing rate. Subsequently, the Company measures a lease liability at amortized cost using the effective interest method. It is then remeasured to reflect revised in-substance fixed lease payments. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

3. Cash

	September 30, 2019	December 31, 2018
Cash	\$ 546,358	\$ 1,210,583
Cash held in trust account	3,553	4,759
	<u>\$ 549,911</u>	<u>\$ 1,215,342</u>

4. Receivables

	September 30, 2019	December 31, 2018
HST receivable	\$ 38,966	\$ 70,399
Other receivable	228,657	185,619
	<u>\$ 267,623</u>	<u>\$ 256,018</u>

5. Inventory

As at September 30, 2019, the Company's inventory consists of gold in saleable form of dore and bullion bars. During the three and nine months ended September 30, 2019, the Company recorded cost of sales totalling \$134,802,360 and \$266,962,131, respectively (three and nine months ended September 30, 2018 - \$34,649,392 and \$73,277,183, respectively).

6. Prepaid expenses and advances

	September 30, 2019	December 31, 2018
Prepaid professional fees and office expenses	\$ -	\$ 37,996
Advances for purchase of material	1,737,632	639,079
	<u>\$ 1,737,632</u>	<u>\$ 677,075</u>

Intercontinental Gold and Metals Ltd.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2019

(Expressed in Canadian Dollars)

Unaudited

7. Equipment

Cost	Refinery Machines	Office Furniture & Equipment	Total
Balance, December 31, 2018	\$ 486,331	\$ 48,389	\$ 534,720
Additions	182,199	36,003	218,202
Foreign exchange	(7,358)	(6,886)	(14,244)
Balance, September 30, 2019	\$ 661,172	\$ 77,506	\$ 738,678

Accumulated depreciation	Refinery Machines	Office Furniture & Equipment	Total
Balance, December 31, 2018	\$ 78,964	\$ 9,769	\$ 88,733
Depreciation	50,658	5,854	56,512
Foreign exchange	(2,128)	(1,010)	(3,138)
Balance, September 30, 2019	\$ 127,494	\$ 14,613	\$ 142,107

Carrying value	Refinery Machines	Office Furniture & Equipment	Total
Balance, December 31, 2018	\$ 407,367	\$ 38,620	\$ 445,987
Balance, September 30, 2019	\$ 533,678	\$ 62,893	\$ 596,571

Intercontinental Gold and Metals Ltd.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2019

(Expressed in Canadian Dollars)

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8. Right-of-use asset

	Office lease
Balance, January 1, 2019	\$ 36,286
Depreciation	(31,829)
Impact of foreign exchange	(473)
Balance, September 30, 2019	\$ 3,984

9. Acquisition of Goldway

On August 9, 2017, the Company completed the acquisition of all of the outstanding shares of Goldway in exchange for (i) the issuance by the Company to Goldway's shareholders of a total of 5,000,000 common shares; (ii) US\$100,000, payable in cash and (iii) US\$500,000 deferred contingent cash consideration pursuant to the Share Exchange Agreement. As a result of the acquisition, Goldway has become a wholly-owned subsidiary of the Company and will continue to be active in the gold and metals trading business in Bolivia.

The acquisition of Goldway was accounted for as a business combination in accordance with IFRS 3, Business Combinations and was accounted for using the acquisition method. The Company was identified as the acquirer. Goldway's assets and liabilities were remeasured at their individual fair value estimated as at August 9, 2017 and Goldway's financial results have been consolidated commencing from August 10, 2017.

The following summarizes the consideration transferred and the recognized amounts of assets acquired and liabilities assumed at the acquisition date. Changes to such estimates could be material.

Purchase price

Cash	\$ 127,050
Shares (5 million)	550,000
Contingent consideration payable (i)	384,000
	<u>\$ 1,061,050</u>

Fair value of net assets acquired

Cash	\$ 36
Receivable	12,971
Inventory	6,074
Equipment	22,890
Accounts payable and accrued liabilities	(24,280)
	<u>\$ 17,691</u>

Goodwill	<u>\$ 1,043,359</u>
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Intercontinental Gold and Metals Ltd.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2019

(Expressed in Canadian Dollars)

Unaudited

9. Acquisition of Goldway (continued)

(i) The Company was committed to cash payments of up to US\$500,000 based on the achievement of certain operating earnings of which US\$66,378 has been paid as at September 30, 2019 (December 31, 2018 - US\$23,622).

The fair value of contingent consideration was estimated using an income approach based on unobservable cash flows and a probability-weighted average of the discounted future payments, and as a result is classified within Level 3 of the fair value hierarchy.

The Company's estimate of the fair value of contingent consideration on initial recognition is based on projected gold prices of US \$1,312/oz to US\$1,332/oz. The other key assumptions used in the fair value estimate include:

- Annual ounces of gold sold of 144,050 to 174,300;
- EBITDA margin of 0.7% to 0.9%;
- Probabilities of achieving certain levels of production; and
- A normalized risk-free rate of 3.5%

As at September 30, 2019, the estimated fair value of contingent consideration payable is \$542,962.

Goodwill arose from the acquisition comprised of assembled workforce, expected revenue growth, and future market development. These benefits were not recognized separately from goodwill as they do not meet the criteria for identifiable intangible assets. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

10. Accounts payable and accrued liabilities

	September 30, 2019	December 31, 2018
Accounts payable	\$ 7,576,088	\$ 761,524
Accrued liabilities	322,104	199,621
	\$ 7,898,192	\$ 961,145

11. Customer deposits

The Company receives payments from customers in advance of gold exports. As at September 30, 2019, the Company received \$nil (December 31, 2018 - \$962,768) in customer deposits.

Intercontinental Gold and Metals Ltd.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2019

(Expressed in Canadian Dollars)

Unaudited

12. Promissory notes

	September 30, 2019	December 31, 2018
Balance, beginning of the period	\$ 4,266,535	\$ 2,350,613
Additions, net of transaction costs	-	1,699,741
Accretion	144,247	127,349
Reclassification of fair value of warrants	-	88,832
Balance, end of the period	\$ 4,410,782	\$ 4,266,535

On August 9, 2017, the Company completed a non-brokered private placement (“Concurrent Offering”) through the issuance of 2,042 units (the “Units”) at a price of \$900 per Unit for aggregate gross proceeds of \$1,837,800. Each Unit is comprised of: (i) one promissory note in the principal amount of \$1,000 subject to a coupon interest rate of 10% per annum over a five year term; (ii) 1,500 common shares; and (iii) 1,500 common share purchase warrants. The Company incurred a cash commission of \$56,268 for the Concurrent Offering and issued 96,480 broker warrants with a value of \$10,387.

The Company used the residual value method to allocate the proceeds between the liability and the equity components. Under this method, the fair value of the liability of \$1,463,076 was computed as the present value of future principal and interest payments discounted at a rate of 18% per annum. Of the residual value, \$336,930 was attributed to the shares, and \$37,794 was allocated to the warrants. The Company incurred total transaction costs of \$66,268 of which \$54,730 was allocated to promissory note issuance costs and \$11,538 as share issuance costs.

Intercontinental Gold and Metals Ltd.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2019

(Expressed in Canadian Dollars)

Unaudited

12. Promissory notes (continued)

On January 5, 2018, the Company closed the first tranche ("First Tranche") of a unit financing. In connection with the First Tranche, the Company issued an aggregate of 1,320 units at a price of \$1,000 per Unit for aggregate gross proceeds of \$1,320,000. Each Unit is comprised of: (i) one promissory note in the principal amount of \$1,000 bearing a coupon of 10.0%, payable semi-annually, with a five-year term (each, a "Note"); (ii) 750 common shares (the "Bonus Shares"); and (iii) 750 common share purchase warrants (the "Bonus Warrants"). Each Bonus Warrant is exercisable for one common share of the Company at a price of \$0.20 per share until January 5, 2023. In connection with the First Tranche, the Company paid cash commissions equal to 6% of the gross proceeds of the Offering to certain eligible finders and issued an aggregate of 45,000 finder warrants with a value of \$10 (the "Finder Warrants"). Each Finder Warrant entitles the holder to acquire one common share of the Company at a price of \$0.20 per share until January 5, 2023. All securities issued pursuant to the First Tranche are subject to a hold period expiring four months and one day from the date hereof.

The Company used the residual value method to allocate the proceeds between the liability and the equity components. Under this method, the fair value of the liability of \$932,090 was computed as the present value of future principal and interest payments discounted at a rate of 18% per annum. The residual value of \$168,300 was attributed to the shares and \$219,610 was allocated to the warrants. The Company incurred transaction costs of \$66,000 of which \$49,057 was allocated to the liability component and remaining \$16,943 was allocated to the share capital.

On April 13, 2018, the Company completed the second and final tranche of its previously announced unit financing (the "Offering") and issued, an additional 2,430 units (the "Units") at a price of \$1,000 per Unit for additional gross proceeds of \$2,430,000. The aggregate gross proceeds raised pursuant to the Offering was \$3,750,000 through the issuance of 3,750 Units. Each Unit consists of: (i) one promissory note in the principal amount of \$1,000 bearing a coupon of 10.0%, payable semi-annually, with a 5-year term (each, a "Note"); (ii) 750 common shares (the "Bonus Shares"); and (iii) 750 common share purchase warrants (the "Bonus Warrants"). Each Bonus Warrant is exercisable into one common share of the Company at a price of \$0.20 per common share for a period of five years from the date of issuance. In connection with the second tranche, certain eligible persons (the "Finders") were paid a cash commission equal to 6% of the proceeds raised from subscribers introduced to the Company by such Finders and also issued an aggregate of 99,000 broker warrants with a value of \$33,680 (the "Broker Warrants") to such Finders, with each Broker Warrant entitling the holder to acquire one common share at a price of \$0.20 for a period of five years from the date of issuance.

The Company used the residual value method to allocate the proceeds between the liability and the equity components. Under this method, the fair value of the liability of \$1,699,741 was computed as the present value of future principal and interest payments discounted at a rate of 18% per annum. The residual value of \$637,875 was attributed to the shares and \$92,384 was allocated to the warrants. The Company incurred transaction costs of \$143,231 of which \$106,463 was allocated to the liability component and remaining \$36,768 was allocated to the share capital.

During the three and nine months ended September 30, 2019, the Company recorded \$147,740 and \$434,960, respectively (three and nine months ended September 30, 2018 - \$189,002 and \$542,081) in interest expense and accretion on promissory notes of \$69,092 and \$144,247, respectively (three and nine months ended September 30, 2018 - \$43,319 and \$117,172, respectively).

Intercontinental Gold and Metals Ltd.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2019

(Expressed in Canadian Dollars)

Unaudited

13. Lease liabilities

Balance, January 1, 2019	\$	36,286
Accretion		3,052
Lease payments		(38,879)
Impact of foreign exchange		(459)
Balance, September 30, 2019	\$	-

14. Share capital

a) Authorized share capital

The authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of special shares, issuable in series.

b) Common shares issued

As at September 30, 2019, the Company had 18,022,000 common shares outstanding.

15. Stock options and warrants

Stock options

The Company has a stock option plan under which it is authorized to grant up to a maximum of 3,546,000 options to executive officers and directors, employees and consultants enabling them to acquire up to 20% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price, minimum price or a discounted price, of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of ten years and vesting is determined by the Board of Directors.

	Number of options	Weighted average exercise price
Balance, January 1, 2018	6,000	\$ 1.00
Options granted	3,490,000	0.11
Balance, September 30, 2018	3,496,000	0.21
Options exercised	(292,000)	0.11
Balance, December 31, 2018	3,204,000	\$ 0.22
Options expired	(56,000)	1.00
Options granted	400,000	0.13
Balance, September 30, 2019	3,548,000	\$ 0.22

Intercontinental Gold and Metals Ltd.

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15. Stock options and warrants (continued)

The following table reflects the stock options issued and outstanding and exercisable as of September 30, 2019:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
August 10, 2022	0.11	2.87	2,088,000	2,088,000
April 20, 2023	0.45	3.56	1,060,000	1,060,000
February 11, 2024	0.13	4.37	400,000	400,000
		3.24	3,548,000	3,548,000

During the nine months ended September 30, 2019, the Company granted 400,000 stock options with a fair value, using the Black-Scholes Option Pricing Model, of \$44,792. Share-based compensation expense for the nine months ended September 30, 2019 was \$44,792 which was offset to the share-based compensation reserve.

The following weighted average assumptions were used to value the stock options granted during the nine months ended September 30, 2019:

Risk-free interest rate	1.82%
Expected life of options	5 years
Annualized volatility	166.66%
Dividend yield	0.00%

Warrants

Warrant transactions were as follows:

	Number of warrants	Weighted average exercise price
Balance, January 1, 2018	3,063,000	\$ 0.10
Issued	2,812,500	0.17
Exercised	(168,000)	0.10
Balance, December 31, 2018 and September 30, 2019	5,707,500	\$ 0.15

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15. Stock options and warrants (continued)

Warrants (continued)

As at September 30, 2019, the Company had outstanding warrants, enabling the holders to acquire common shares as follows:

Expiry date	Exercise price (\$)	Number of warrants outstanding	Weighted average remaining life (years)
August 8, 2022	0.10	2,895,000	2.86
January 5, 2023	0.20	990,000	3.27
April 13, 2023	0.20	1,822,500	3.54
		5,707,500	3.15

Broker warrants

Broker warrant transactions were as follows:

	Number of warrants	Weighted average exercise price
Balance, January 1, 2018	-	\$ -
Issued	237,780	0.14
Exercised	(41,544)	0.10
Balance, September 30, 2018	196,236	\$ 0.17
Exercised	(4,536)	0.10
Balance, December 31, 2018 and September 30, 2019	191,700	\$ 0.18

As at September 30, 2019, the Company had outstanding broker warrants, enabling the holders to acquire common shares as follows:

Expiry date	Exercise price (\$)	Number of warrants outstanding	Weighted average remaining life (years)
August 8, 2022	0.10	47,700	2.86
January 5, 2023	0.20	45,000	3.27
April 12, 2023	0.20	99,000	3.54
		191,700	3.30

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16. Related party transactions

(a) The Company entered into the following transactions with related parties recorded as legal fees and share issue costs:

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months Period ended September 30, 2019	Nine months ended June 30, 2018
Irwin Lowy LLP (i)	\$ 3,171	\$ 11,064	\$ 8,036	\$ 96,956

(i) A director of the Company is a partner at Irwin Lowy LLP, a law firm, and these fees related to professional services provided by the firm. As at September 30, 2019, the Company owed \$32,808 (December 31, 2018 - \$49,309) to this firm and this amount was included in accounts payable and accrued liabilities. The amount is unsecured, non-interest bearing with no fixed terms of repayment.

(b) Compensation of key management personnel of the Company:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of the Board of Directors, corporate officers, including the Chief Executive Officer and Interim Chief Financial Officer, VP of Operations and the Country Manager.

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months Period ended September 30, 2019	Nine months ended September 30, 2018
Salaries and benefits	\$ -	\$ 106,797	\$ -	\$ 539,272
Consulting fees	134,866	78,242	550,033	333,908
Directors fees	16,000	8,000	24,000	23,000
Share-based compensation	-	-	20,717	142,189
	\$ 150,866	\$ 193,039	\$ 594,750	\$ 1,038,369

As at September 30, 2019, accounts payable and accrued liabilities included \$93,919 (December 31, 2018 - \$219,322) owing to directors, officers, directors, Country Manager, VP of Operations and a company controlled by the Chief Executive Officer. The amounts bear no interest and have no fixed terms of repayment.

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16. Related party transactions (continued)

As at September 30, 2019, total Promissory Notes payable to Related parties were \$555,060 (December 31, 2018 - \$489,751)

17. Financial instruments and risk management

The fair value of cash and marketable securities are measured based on level 1 inputs of the fair value hierarchy. The fair values of receivables, accounts payable and accrued liabilities and loan from related party approximate their fair value because of the short-term nature of these instruments. The promissory notes are measured at carrying value at the effective interest rate which approximates fair value.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk for the Company arises from cash and receivables. The carrying amount of these financial assets represents the maximum credit exposure as at September 30, 2019 and December 31, 2018.

Cash is maintained with financial institutions of reputable credit and may be redeemed upon demand. Credit risk exposure on cash is limited through maintaining cash with high-credit quality financial institutions and management considers the risk to be minimal for all cash assets.

The Company is exposed to credit risk inherent in its receivables, which include credit exposure to customers and their outstanding receivable balances. Credit risk relating receivables from such customers is considered low based upon the nature of the Company's relationship and payment history with the customers.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As of September 30, 2019, the Company had a cash balance of \$549,911 to settle current liabilities of \$8,204,084. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

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

Interest rate risk

The Company has cash balances and the promissory notes are subject to fixed interest rates. The Company's current policy is to invest excess cash in investment-grade demand investments issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

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17. Financial instruments and risk management (continued)

Foreign currency risk

The Company is nominally exposed to foreign currency risk on fluctuations related to assets and liabilities that are denominated in US Dollars, Bolivianos and Peruvian Sol.

Gold price risk

The Company is exposed to gold price risk given that its revenues are derived from the sale of gold through its gold dore and bullion products, the prices for which have been historically volatile. Consequently, the economic viability of the Company's operations may be adversely affected by fluctuations in metal prices. For gold shipped and provisionally invoiced during the period ended September 30, 2019, a 1% change in gold prices would result in an immaterial increase/decrease in the Company's pre-tax income. As at September 30, 2019, the embedded derivative arising from the provisional pricing is immaterial.

Fair value hierarchy

Receivables are measured at amortized cost. Accounts payable and accrued liabilities and promissory notes are measured at amortized cost. Cash and marketable securities are classified as fair value through profit and loss ("FVTPL") and carried at fair value.

IFRS 7 - Financial Instruments: Disclosures requires classification of fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and,

Level 3: Inputs for the asset or liability that are not based on observable market data.

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17. Financial instruments and risk management (continued)

Fair value hierarchy (continued)

As at September 30, 2019 and December 31, 2018, none of the Company's financial instruments were held at fair value other than cash and marketable securities which were classified as level 1 inputs at the fair value hierarchy.

Trade receivable/payable from provisional sales of gold includes provisional pricing, and final price and assay adjustments. Derivative instruments are forward arrangements that were valued using pricing models, which require a variety of inputs, such as expected gold prices and foreign exchange rates. The trade receivable/payable from sales of gold and derivative instruments are valued using observable market commodity prices and thereby classified within Level 2 of the fair value hierarchy.

Economic dependence

During the period ended September 30, 2019, three customers accounted for 99% of the Company's total revenue. The loss of the above customers could have a material adverse effect on the Company's financial position and results of operations.

18. Capital management

The Company defines capital that it manages as shareholders' deficiency, consisting of share capital, reserves and deficit.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the metal trading operations. 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.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions.

There was no change in management's approach to capital management during the period ended September 30, 2019.

Intercontinental Gold and Metals Ltd.

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19. Segmented information

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Company's CEO.

The Company's reportable segments are based on the geographic region for the Company's operations and include Canada and Bolivia.

The segmental report is as follows:

As at September 30, 2019	Canada	Bolivia	Peru	Total
Current assets	\$ 52,616	\$ 10,799,623	\$ 1,845	\$ 10,854,084
Equipment	-	596,571	-	596,571
Right-of-use asset	-	3,984	-	3,984
Goodwill	1,043,359	-	-	1,043,359
Total assets	\$ 1,095,975	\$ 11,400,178	\$ 1,845	\$ 12,497,998
Total liabilities	\$ 5,459,658	\$ 7,818,531	\$ -	\$ 13,278,189

Net (loss) income for the nine months ended September 30, 2019	\$ (1,453,973)	\$ 746,568	\$ (9,265)	\$ (716,670)
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As at December 31, 2018	Canada	Bolivia	Peru	Total
Current assets	\$ 259,339	\$ 4,624,383	\$ 19,838	\$ 4,903,560
Equipment	-	445,987	-	445,987
Goodwill	1,043,359	-	-	1,043,359
Total assets	\$ 1,302,698	\$ 5,070,370	\$ 19,838	\$ 6,392,906
Total liabilities	\$ 5,294,816	\$ 1,788,408	\$ -	\$ 7,083,224

Net (loss) income for the period ended December 31, 2018	\$ (2,192,593)	\$ 1,016,711	\$ (4,428)	\$ (1,180,310)
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