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**INTERCONTINENTAL GOLD AND METALS LTD.  
CONSOLIDATED  
FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019 AND PERIOD  
ENDED DECEMBER 31, 2018 (EXPRESSED IN  
CANADIAN DOLLARS)**

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Intercontinental Gold and Metals Ltd.

### *Opinion*

We have audited the accompanying consolidated financial statements of Intercontinental Gold and Metals Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' deficiency for the year ended December 31, 2019 and the period from April 1, 2018 to December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the for the year ended December 31, 2019 and the period from April 1, 2018 to December 31, 2018 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 1 of the consolidated financial statements, which indicates that the Company incurred a net loss of \$646,557 during the year ended December 31, 2019 and, as of that date, the Company's total deficit was \$39,951,276. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

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

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

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



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

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

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

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

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

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

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

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

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

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

June 9, 2020

**Intercontinental Gold and Metals Ltd.**  
**Consolidated Statements of Financial Position**  
**(Expressed in Canadian Dollars)**

	As at December 31, 2019	As at December 31, 2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash (note 3)	\$ 1,069,573	\$ 1,215,342
Receivables (note 4)	236,462	256,018
Inventory (note 5)	3,156,045	2,755,125
Prepaid expenses and advances (note 6)	1,787,646	677,075
<b>Total current assets</b>	<b>6,249,726</b>	<b>4,903,560</b>
<b>Non-current assets</b>		
Equipment (note 7)	555,637	445,987
Goodwill (note 9)	1,043,359	1,043,359
<b>Total assets</b>	<b>\$ 7,848,722</b>	<b>\$ 6,392,906</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (notes 10 and 18)	\$ 685,784	\$ 961,145
Customer deposits (note 11)	2,387,813	962,768
Income tax payable (note 17)	507,835	413,000
Loan payable (note 14)	638,095	-
<b>Total current liabilities</b>	<b>4,219,527</b>	<b>2,336,913</b>
<b>Non-current liabilities</b>		
Promissory notes (note 12)	4,463,835	4,266,535
Contingent consideration (note 9)	532,507	479,776
<b>Total liabilities</b>	<b>9,215,869</b>	<b>7,083,224</b>
<b>Shareholders' deficiency</b>		
Share capital (note 15)	33,590,437	33,586,699
Reserves (note 16)	4,990,295	4,947,441
Accumulated other comprehensive income	3,397	80,261
Deficit	(39,951,276)	(39,304,719)
<b>Total shareholders' deficiency</b>	<b>(1,367,147)</b>	<b>(690,318)</b>
<b>Total liabilities and shareholders' deficiency</b>	<b>\$ 7,848,722</b>	<b>\$ 6,392,906</b>

The accompanying notes are an integral part of these consolidated financial statements.  
Nature of operations and going concern (note 1)  
Subsequent events (note 22)

**Approved on behalf of the Board:**

"Gorden Glenn", Director \_\_\_\_\_

"John Anderson", Director \_\_\_\_\_

**Intercontinental Gold and Metals Ltd.**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**(Expressed in Canadian Dollars)**

	Year ended December 31, 2019	Period from April 1, 2018 to December 31, 2018
<b>Revenue</b>	<b>\$321,812,848</b>	\$126,512,400
<b>Cost of sales</b>	<b>319,391,430</b>	124,805,621
	<b>2,421,418</b>	1,706,779
<b>Operating expenses</b>		
Accounting and audit	56,724	167,328
Consulting fees (note 18(b))	697,636	684,690
Director fees (note 18(b))	32,000	24,000
Business development	70,640	133,550
Shareholder information and investor relations	21,475	281,726
Legal (note 18(a))	12,221	85,462
Office and miscellaneous	495,656	297,404
Depreciation (notes 7 and 8)	46,700	2,854
Share-based compensation (note 16)	44,792	407,449
Transfer agent and regulatory fees	14,701	4,224
	<b>(1,492,545)</b>	(2,088,687)
Unrealized loss on marketable securities	-	(200)
Gain on debt settlement (note 18)	-	8,585
Foreign exchange gain (loss)	(386,761)	155,420
Accretion on promissory note (note 12)	(197,300)	(127,349)
Accretion of lease liability (note 13)	(3,046)	-
Revaluation of contingent consideration (note 9)	(141,000)	(128,000)
Interest expense on promissory notes (note 12)	(579,200)	(360,282)
Interest expense on loan payable (note 14)	(134,736)	-
Interest and other income	120,613	10,424
<b>Loss before income taxes</b>	<b>(392,557)</b>	(823,310)
Income tax expense (note 17)	(254,000)	(357,000)
<b>Net loss for the year</b>	<b>\$ (646,557)</b>	\$ (1,180,310)
<b>Other comprehensive income (loss)</b>		
Foreign currency translation adjustment	\$ (76,864)	\$ 34,398
<b>Total comprehensive loss for the year</b>	<b>\$ (723,421)</b>	\$ (1,145,912)
<b>Basic and diluted net loss per share</b>	<b>\$ (0.04)</b>	\$ (0.06)
<b>Weighted average number of common shares outstanding (basic and diluted)</b>	<b>18,022,000</b>	17,693,977

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

# Intercontinental Gold and Metals Ltd.

## Consolidated Statements of Cash Flows (Expressed in Canadian Dollars)

	Year ended December 31, 2019	Period from April 1, 2018 to December 31, 2018
<b>Operating activities</b>		
Net loss	\$ (646,557)	\$ (1,180,310)
Adjustments for:		
Depreciation expense	46,700	53,829
Income tax expense	-	357,000
Share-based compensation	44,792	407,449
Unrealized loss on marketable securities	-	200
Accretion of lease liability	3,046	-
Gain on debt settlement	(89,219)	(8,585)
Accretion on promissory notes	197,300	127,349
Accrued interest expense	579,200	360,282
Revaluation of contingent consideration	141,000	128,000
Foreign exchange	(34,225)	-
Interest expense on loan payable	134,736	-
Changes in non-cash working capital items:		
Receivables	19,556	(183,777)
Prepaid expenses and advances	(1,110,571)	(511,271)
Inventory	(400,920)	(1,188,045)
Accounts payable and accrued liabilities	(185,893)	119,998
Customer deposits	1,425,045	(306,819)
Income tax payable	94,835	-
<b>Net cash provided by (used in) operating activities</b>	<b>218,825</b>	<b>(1,824,700)</b>
<b>Investing activities</b>		
Acquisition of equipment	(253,561)	(88,965)
Payment of contingent consideration	(88,269)	(32,224)
<b>Net cash used in investing activities</b>	<b>(341,830)</b>	<b>(121,189)</b>
<b>Financing activities</b>		
Unit financing	-	2,200,000
Unit financing costs	-	(143,230)
Exercise of warrants and broker warrants	-	20,854
Exercise of stock options	1,800	32,120
Lease payments	(38,812)	-
Payment of interest expense on promissory notes	(579,200)	(488,890)
Proceeds from loan payable	664,400	-
Payment of interest on loan payable	(115,728)	-
<b>Net cash provided by (used in) financing activities</b>	<b>(67,540)</b>	<b>1,620,854</b>
Impact of foreign exchange on cash balance	44,776	(68,960)
<b>Net change in cash</b>	<b>(145,769)</b>	<b>(393,995)</b>
<b>Cash, beginning of year</b>	<b>1,215,342</b>	<b>1,609,337</b>
<b>Cash, end of year</b>	<b>\$ 1,069,573</b>	<b>\$ 1,215,342</b>

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

**Intercontinental Gold and Metals Ltd.**  
**Consolidated Statements of Changes in Shareholders' Deficiency**  
**(Expressed in Canadian Dollars)**

	Share Capital		Reserves		Accumulated other comprehensive income	Deficit	Total
	Number of shares	Amount	Warrants	Share-based compensation reserve			
<b>Balance, March 31, 2018</b>	<b>15,698,964</b>	<b>\$ 32,943,911</b>	<b>\$ 267,204</b>	<b>\$ 4,364,405</b>	<b>\$ 45,863</b>	<b>\$(38,124,409)</b>	<b>\$ (503,026)</b>
Shares and warrants issued in private placements (note 15)	1,822,500	623,796	-	-	-	-	623,796
Share issue costs (note 15)	-	(36,767)	-	-	-	-	(36,767)
Broker warrants issued in private placement (note 16)	-	(33,680)	33,680	-	-	-	-
Shares issued upon exercise of warrants and broker warrants	208,536	20,854	-	-	-	-	20,854
Reclassification of fair value of warrants and broker warrants exercised	-	6,439	(95,271)	-	-	-	(88,832)
Shares issued upon exercise of stock options	292,000	32,120	-	-	-	-	32,120
Reclassification of fair value of stock options exercised	-	30,026	-	(30,026)	-	-	-
Stock based compensation	-	-	-	407,449	-	-	407,449
Foreign exchange translation adjustments	-	-	-	-	34,398	-	34,398
Net loss for the period	-	-	-	-	-	(1,180,310)	(1,180,310)
<b>Balance, December 31, 2018</b>	<b>18,022,000</b>	<b>33,586,699</b>	<b>205,613</b>	<b>4,741,828</b>	<b>80,261</b>	<b>\$(39,304,719)</b>	<b>(690,318)</b>
Stock based compensation	-	-	-	44,792	-	-	44,792
Shares issued upon exercise of broker warrants	18,000	1,800	-	-	-	-	1,800
Reclassification of fair value of broker warrants exercised	-	1,938	(1,938)	-	-	-	-
Foreign exchange translation adjustments	-	-	-	-	(76,864)	-	(76,864)
Net loss for the year	-	-	-	-	-	(646,557)	(646,557)
<b>Balance, December 31, 2019</b>	<b>18,040,000</b>	<b>\$ 33,590,437</b>	<b>\$ 203,675</b>	<b>\$ 4,786,620</b>	<b>\$ 3,397</b>	<b>\$(39,951,276)</b>	<b>\$ (1,367,147)</b>

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

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# Intercontinental Gold and Metals Ltd.

## Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian Dollars)

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### 1. Nature of operations and going concern

Intercontinental Gold and Metals Ltd. (the "Company" or ICAU), was incorporated under the British Columbia Business Corporations Act and continued under the Business Corporations Act (Ontario) on October 30, 2017. The Company's head office is located at 217 Queen Street, Suite 401, Toronto, Ontario, M5V 0R2 and it is listed on the TSX-Venture ("TSXV") and Frankfurt exchanges under the symbol ICAU.

On August 10, 2017, the Company completed the acquisition (the "Acquisition") of all 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 year ended December 31, 2019, the Company incurred a loss of \$646,557 (2018: \$1,180,310) and as at December 31, 2019, the Company has working capital of \$2,030,199 (December 31, 2018 – \$2,566,647) and an accumulated deficit of \$39,951,276 (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. There is no assurance that these funds will be available on terms acceptable to the Company or at all. These consolidated financial statements do not give effect to 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 coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

These 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 financial statements were authorized for issue by its directors on June 9, 2020.

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## **Intercontinental Gold and Metals Ltd.**

### **Notes to Consolidated Financial Statements**

**December 31, 2019**

**(Expressed in Canadian Dollars)**

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#### **2. Significant accounting policies (continued)**

##### *Basis of preparation*

These financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair-value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

##### *Consolidation*

The consolidated financial statements include, on a consolidated basis, the assets, liabilities, revenues and expenses of the Company and its wholly-owned subsidiary, Goldway, which was incorporated in Bolivia. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances are eliminated on consolidation.

##### *Foreign currency transactions*

The individual financial records of each group entity are kept in the currency of the primary economic environment in which the entity operates (its functional currency). The functional currency of the parent company is determined to be the Canadian Dollar and the functional currency of Goldway is determined to be the US Dollar.

Transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the rates on the date of the initial transaction. Exchange differences are recognized in profit and loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of Goldway are expressed in Canadian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising are recognized as a separate component of equity and as a foreign currency translation adjustment in other comprehensive income in the consolidated statements of loss and comprehensive loss.

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## Intercontinental Gold and Metals Ltd.

### Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian Dollars)

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## 2. Significant accounting policies (continued)

### *Inventory*

Raw materials represents gold purchased from licensed artisanal and small gold miners in the form of flakes, nuggets and small dore bars for further processing. Work in process represents gold dore bars and gold flakes that have not completed the refinery process and are not yet in saleable form. Finished goods inventory represents gold in saleable form of bullion bars or casting grain .

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes all costs incurred in bringing each product to its present location and condition. Net realizable value is determined with reference to the relevant market price less applicable variable selling expenses.

### *Equipment*

Estimated useful lives of major asset categories:

Office furniture & equipment	5 years
Refinery machines	5 years
Right-of-use asset	2 years (term of lease)

Equipment is stated at cost, less accumulated amortization and any impairment in value. Cost includes the purchase price (after deducting trade discounts and rebates), any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the estimate of the present value of the costs of dismantling and removing the item and restoring the site. Subsequent costs are included in the assets carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The cost of the day-to-day servicing of equipment is recognized in the statement of loss and comprehensive loss as incurred.

### *Impairment*

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. 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 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 year. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and 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.

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# Intercontinental Gold and Metals Ltd.

## Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian Dollars)

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### 2. Significant accounting policies (continued)

#### *Business combinations*

Business combinations are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the consideration transferred, measured at the acquisition date at fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the appropriate share of the acquiree's identifiable net assets. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognized at their fair values at the acquisition date. Acquisition costs are expensed in the period that they are incurred.

#### *Goodwill*

Goodwill arising on an acquisition of a business is carried at the amount established at the date of acquisition of the business less accumulated impairment losses, if any. The Company has determined that Goldway is a separate cash-generating unit ("CGU") for purpose of impairment testing.

Corporate assets in Canada do not generate separate cash inflows. Corporate assets are tested for impairment at the minimum grouping of CGUs to which the corporate assets can be reasonably and consistently allocated. Goodwill arising from a business combination is tested for impairment at the minimum grouping of CGUs that are expected to benefit from the synergies of the combination. A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the CGU may be impaired.

The recoverable amount of a CGU or CGU grouping is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows from the CGU or CGU grouping, 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 CGU or CGU grouping. The fair value less costs to sell is based on the best information available to reflect the amount that could be obtained from the disposal of the CGU or CGU grouping in an arm's length transaction between knowledgeable and willing parties, net of estimates of the costs of disposal.

An impairment loss is recognized if the carrying amount of a CGU or CGU grouping exceeds its recoverable amount. For asset impairment other than goodwill, the impairment loss reduces the carrying amounts of the non-financial assets in the CGU on a pro-rata basis. Any loss identified from goodwill impairment testing is first applied to reduce the carrying amount of goodwill allocated to the CGU grouping, and then to reduce the carrying amounts of the other non-financial assets in the CGU or CGU grouping on a pro-rata basis. Any impairment losses are recognized in net income (loss) and any impairment loss recognized for goodwill is not reversed in subsequent years.

On disposal of the relevant CGU, the attributed amount of goodwill is included in the determination of the gain or loss on disposal. The determination of CGUs and the level at which goodwill is monitored, as well as whether there are indicators of impairment, requires judgment by management.

#### *Customer deposits*

Customer deposits consist of funds received from customers in advance of products sold.

#### *Provisions*

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

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# Intercontinental Gold and Metals Ltd.

## Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian Dollars)

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### 2. Significant accounting policies (continued)

#### *Promissory note*

The Company adopted the residual value method with respect to the unit financings whereby a unit is comprised of a promissory note, a common share and a warrant. The unit price is first allocated to the fair value of the debt component with the residual being allocated to the share component and the remaining to the warrant component.

The promissory note is recognized initially at fair value, net of financing costs incurred, and subsequently measured at amortized cost. Any difference between the amounts originally received and the redemption value of the promissory note is recognized in the consolidated statements of loss and comprehensive loss over the period to maturity using the effective interest method.

#### *Financial assets and liabilities*

##### (i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL. The Company classified cash, receivables, accounts payable and accrued liabilities, customer deposits, loan payable and promissory notes as amortized cost.

##### (ii) Measurement

###### *Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

###### *Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

###### *Debt investments at FVTOCI*

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive loss ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

###### *Equity investments at FVTOCI*

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

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# Intercontinental Gold and Metals Ltd.

## Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian Dollars)

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### 2. Significant accounting policies (continued)

#### *Financial assets and liabilities (continued)*

##### (iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

##### iv) Derecognition

###### Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

###### Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and /or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

#### *Revenue recognition*

In accordance with IFRS 15, revenue from the sale of gold is generally recognized when control over the goods has been transferred to the customer. Payment is typically due upon shipment and is recognized into revenue upon the satisfaction of the performance obligation. The Company satisfies its performance obligation and transfers control to the customer upon delivery and acceptance by the customer.

Revenue arising from the sale of gold is recognized following the transfer of title and significant risk and rewards of ownership, provided that collection is reasonably assured, the price is reasonably determinable, the Company has no significant continuing involvement, and the costs incurred or to be incurred in respect of the transaction can be measured readily. The Company's gold is provisionally priced at the time of sale based on the prevailing market price.

Sales of gold are net of refining and treatment charges. Variations between the price recorded at the delivery date and the final price at settlement are caused by changes in market prices, and result in an embedded derivative in receivables or payables. The embedded derivative is recorded at fair value each period until final settlement occurs, with changes in fair value classified as provisional price adjustments and included in sales in the consolidated statement of loss and comprehensive loss.

Included in revenue is the foreign exchange premium Bolivian banks pay the Company on its cash inflow denominated in USD.

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## **Intercontinental Gold and Metals Ltd.**

### **Notes to Consolidated Financial Statements**

**December 31, 2019**

**(Expressed in Canadian Dollars)**

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#### **2. Significant accounting policies (continued)**

##### *Earnings (Loss) per share*

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

##### *Share capital*

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component, the common shares issued, based on fair value and then the residual value, if any, to the less easily measurable component. The balance, if any, is allocated to the attached warrants. Any residual value attributed to the warrants is recorded as reserves.

##### *Share-based compensation*

The Company's stock option plan allows employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in share compensation reserve. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from share compensation reserve to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Share-based compensation to non-employees, who are not providing similar services to employees, are measured at the grant date by using the fair value of the goods or services when received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services received cannot be reliably measured.

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# Intercontinental Gold and Metals Ltd.

## Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian Dollars)

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### 2. Significant accounting policies (continued)

#### *Income taxes*

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the financial position reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the financial position reporting date. Deferred tax is not recognized for temporary differences which arise on initial recognition of goodwill in a business combination or assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### *Presentation*

Certain comparative amounts are reclassified to conform to current year's presentation.

#### *Significant accounting estimates and judgments*

The preparation of these consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial position and the reported amount of revenues and expenses during the reporting year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Significant accounts that require estimates as the basis for determining the stated amounts include the fair value of financial instruments, deferred taxes and share-based compensation.

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

#### Functional currency

Management is required to assess the functional currency of each entity of the Company. In concluding that the Canadian dollar and the United States dollar are the functional currencies of the parent and its subsidiary respectively, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates.

#### Income taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

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## Intercontinental Gold and Metals Ltd.

### Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian Dollars)

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## 2. Significant accounting policies (continued)

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

#### Useful lives of equipment

The Company's equipment is depreciated and amortized on a straight-line basis, taking into account the estimated useful lives of the assets and residual values. Changes to these estimates may affect the carrying value of these assets, inventories, net earnings, and comprehensive income (loss) in future periods.

#### Inventory valuation

The Company estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by market-driven changes that may reduce future selling prices.

#### Valuation of 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 rates, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity settled benefits.

#### Promissory notes

The separation of the component of promissory notes from the Units affects the initial recognition of the promissory notes at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is based on a number of assumptions including discount rates.

### *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.

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# Intercontinental Gold and Metals Ltd.

## Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian Dollars)

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### 2. Significant accounting policies (continued)

#### *New standards adopted (continued)*

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.

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.

#### *New standards and interpretations not yet adopted*

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2020. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following has not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

### 3. Cash

	December 31, 2019	December 31, 2018
Cash	\$ 1,069,026	\$ 1,210,583
Cash held in trust account	547	4,759
	<b>\$ 1,069,573</b>	<b>\$ 1,215,342</b>

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## Intercontinental Gold and Metals Ltd.

### Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian Dollars)

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#### 4. Receivables

	December 31, 2019	December 31, 2018
HST receivable	\$ 34,690	\$ 70,399
Other receivable	186,153	185,619
Value added taxes receivable	15,619	-
	<b>\$ 236,462</b>	<b>\$ 256,018</b>

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#### 5. Inventory

As at December 31, 2019, the Company's inventory consists of gold in saleable form of dore and bullion bars. During the year ended December 31, 2019, the Company recorded cost of sales totalling \$319,391,430 (period ended December 31, 2018 - \$124,805,621).

#### 6. Prepaid expenses and advances

	December 31, 2019	December 31, 2018
Prepaid professional fees and office expenses	\$ 32,340	\$ 37,996
Advances for purchases of gold	1,755,306	639,079
	<b>\$ 1,787,646</b>	<b>\$ 677,075</b>

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**Intercontinental Gold and Metals Ltd.****Notes to Consolidated Financial Statements****December 31, 2019****(Expressed in Canadian Dollars)**

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**7. Equipment**

<b>Cost</b>	<b>Refinery Machines</b>	<b>Office Furniture &amp; Equipment</b>	<b>Total</b>
Balance, March 31, 2018	\$ 392,492	\$ 24,432	\$ 416,924
Additions	71,407	21,913	93,320
Foreign exchange	22,432	2,044	24,476
Balance, December 31, 2018	\$ 486,331	\$ 48,389	\$ 534,720
Additions	166,648	86,913	253,561
Foreign exchange	(23,494)	(3,969)	(27,463)
Balance, December 31, 2019	\$ 629,485	\$ 131,333	\$ 760,818

<b>Accumulated depreciation</b>	<b>Refinery Machines</b>	<b>Office Furniture &amp; Equipment</b>	<b>Total</b>
Balance, March 31, 2018	\$ 24,846	\$ 5,234	\$ 30,080
Depreciation	50,975	2,854	53,829
Foreign exchange	3,143	1,681	4,824
Balance, December 31, 2018	\$ 78,964	\$ 9,769	\$ 88,733
Depreciation	111,754	10,935	122,689
Foreign exchange	(5,608)	(633)	(6,241)
Balance, December 31, 2019	\$ 185,110	\$ 20,071	\$ 205,181

<b>Carrying value</b>	<b>Refinery Machines</b>	<b>Office Furniture &amp; Equipment</b>	<b>Total</b>
Balance, December 31, 2018	\$ 407,367	\$ 38,620	\$ 445,987
Balance, December 31, 2019	\$ 444,375	\$ 111,262	\$ 555,637

During the year ended December 31, 2019, depreciation on refining equipment of \$111,754 (period ended December 31, 2018 - \$50,975) has been included in cost of sales.

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## Intercontinental Gold and Metals Ltd.

### Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian Dollars)

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#### 8. Right-of-use asset

	<b>Office lease</b>
Balance, January 1, 2019	\$ 36,286
Depreciation	(35,765)
Impact of foreign exchange	(521)
Balance, December 31, 2019	\$ -

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#### 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	550,000
Contingent consideration payable (i)	384,000
	<b>\$ 1,061,050</b>

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##### Fair value of net assets acquired

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

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

### Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian Dollars)

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#### 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 December 31, 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 \$1,600/oz to US\$1,700/oz. The other key assumptions used in the fair value estimate include:

- Annual ounces of gold sold of 185,070 to 244,150;
- EBITDA margin of 0.5% to 1.5%;
- Probabilities of achieving certain levels of production; and
- A normalized risk-free rate of 3.5%

During the year ended December 31, 2019, the Company made payment of contingent consideration in the amount of \$88,269 (2018 - \$32,224) and recognized \$141,000 (2018 - \$128,000) pursuant to the revaluation of the contingent consideration. As at December 31, 2019, the estimated fair value of contingent consideration payable is \$532,507 (December 31, 2018 - \$479,776).

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

	December 31, 2019	December 31, 2018
Accounts payable	\$ 495,636	\$ 761,524
Accrued liabilities	190,148	199,621
	<b>\$ 685,784</b>	<b>\$ 961,145</b>

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#### 11. Customer deposits

The Company receives payments from customers in advance of gold exports. As at December 31, 2019, the Company received \$2,387,813 (December 31, 2018 - \$962,768) in customer deposits.

## Intercontinental Gold and Metals Ltd.

### Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian Dollars)

#### 12. Promissory notes

	December 31, 2019	December 31, 2018
Balance, beginning of the year	\$ 4,266,535	\$ 2,350,613
Additions, net of transaction costs	-	1,699,741
Accretion	197,300	127,349
Reclassification of fair value of warrants	-	88,832
<b>Balance, end of the year</b>	<b>\$ 4,463,835</b>	<b>\$ 4,266,535</b>

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.

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 share capital.

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## Intercontinental Gold and Metals Ltd.

### Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian Dollars)

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#### 12. Promissory notes (continued)

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 year ended December 31, 2019, the Company recorded \$579,200 (period ended December 31, 2018 - \$360,282) in interest expense and accretion on promissory notes of \$197,300 (period ended December 31, 2018 - \$127,349).

#### 13. Lease liabilities

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<b>Balance, January 1, 2019</b>	<b>\$</b>	<b>36,286</b>
Accretion		3,046
Lease payments		(38,812)
Impact of foreign exchange		(520)
<b>Balance, December 31, 2019</b>	<b>\$</b>	<b>-</b>

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#### 14. Loan payable

During the year ended December 31, 2019, the Company borrowed US\$500,000 from an arm's length third party. The loan is unsecured, due on demand and is subject to interest rates of 2% per month during the first four months and 1.42% per month subsequently until March 24, 2020. During the year ended December 31, 2019, the Company recorded \$134,736 in interest expense, related to the loan. Subsequent to the year ended December 31, 2019, the loan was repaid in full.

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## Intercontinental Gold and Metals Ltd.

### Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian Dollars)

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#### 15. 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 Class A preference shares without par value.

##### b) Common shares issued

As at December 31, 2019, the Company had 18,040,000 common shares outstanding.

(i) As outlined in Note 12, the Company issued 1,822,500 common shares in connection with the Unit Offerings in April 2018.

#### 16. 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 3,608,000 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, March 31, 2018	2,436,000	\$ 0.11
Options granted	1,060,000	0.45
Options exercised	(292,000)	0.11
Balance, December 31, 2018	3,204,000	0.22
Options granted	400,000	0.13
Options expired	(56,000)	0.21
Balance, December 31, 2019	3,548,000	\$ 0.21

The following table reflects the stock options issued and outstanding and exercisable as of December 31, 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	2.61	2,088,000	2,088,000
April 20, 2023	0.45	3.30	1,060,000	1,060,000
February 11, 2024	0.13	4.12	400,000	400,000
		3.01	3,548,000	3,548,000

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## Intercontinental Gold and Metals Ltd.

### Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian Dollars)

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#### 16. Stock options and warrants (continued)

##### Stock options (continued)

During the year ended December 31, 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 year ended December 31, 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 year ended December 31, 2019:

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

During the period ended December 31, 2018, the Company granted 1,060,000 stock options with a fair value, using the Black-Scholes Option Pricing Model, of \$407,449. Share-based compensation expense for the period ended December 31, 2018 was \$407,449 which was offset to the share-based compensation reserve.

The following weighted average assumptions were used to value the stock options granted during the period ended December 31, 2018:

Risk-free interest rate	2.17%
Expected life of options	5 years
Annualized volatility	184.79%
Dividend yield	0.00%

##### Warrants

Warrant transactions were as follows:

	Number of warrants	Weighted average exercise price
Balance, March 31, 2018	4,053,000	\$ 0.12
Issued	1,822,500	0.20
Exercised	(168,000)	0.10
Balance, December 31, 2018 and December 31, 2019	5,707,500	\$ 0.15

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**Intercontinental Gold and Metals Ltd.****Notes to Consolidated Financial Statements****December 31, 2019****(Expressed in Canadian Dollars)**

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**16. Stock options and warrants (continued)****Warrants (continued)**

As at December 31, 2019, the Company had outstanding warrants, enabling the holders to acquire common shares as follows:

<b>Expiry date</b>	<b>Exercise price (\$)</b>	<b>Number of warrants outstanding</b>	<b>Weighted average remaining life (years)</b>
August 8, 2022	0.10	2,895,000	2.61
January 5, 2023	0.20	990,000	3.02
April 13, 2023	0.20	1,822,500	3.29
		5,707,500	2.89

**Broker warrants**

Broker warrant transactions were as follows:

	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
Balance, March 31, 2018	135,936	\$ 0.10
Issued	99,000	0.20
Exercised	(40,536)	0.10
Balance, December 31, 2018	194,400	0.17
Exercised	(18,000)	0.10
Balance, December 31, 2019	176,400	\$ 0.18

As at December 31, 2019, the Company had outstanding broker warrants, enabling the holders to acquire common shares as follows:

<b>Expiry date</b>	<b>Exercise price (\$)</b>	<b>Number of warrants outstanding</b>	<b>Weighted average remaining life (years)</b>
August 8, 2022	0.10	32,400	2.61
January 5, 2023	0.20	45,000	3.02
April 12, 2023	0.20	99,000	3.28
		176,400	3.09

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## Intercontinental Gold and Metals Ltd.

### Notes to Consolidated Financial Statements

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#### 17. Income taxes

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

	Year ended December 31, 2019	Period ended December 31, 2018
Loss before income taxes	\$ (392,557)	\$ (823,310)
Combined statutory income tax rate	27%	27%
Expected income tax recovery:	(106,000)	(222,000)
Adjustments to benefit resulting from:		
Change in statutory, foreign tax, foreign exchange rates and other	(3,000)	101,000
Permanent differences	64,000	169,000
Share issue costs	-	(10,000)
Adjustment to prior year provision versus statutory returns and expiry of non-capital losses	(128,000)	228,000
Change in unrecognized deductible temporary differences	427,000	91,000
Current income tax expense	\$ 254,000	\$ 357,000

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(b) The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	December 31, 2019	December 31, 2018
Deferred tax assets		
Exploration and evaluation assets	\$ 1,091,000	\$ 1,092,000
Property and equipment	42,000	23,000
Share issue costs and other	189,000	55,000
Allowable capital losses	1,324,000	1,324,000
Non-capital losses available for future periods	1,105,000	832,000
	3,751,000	3,326,000
Unrecognized deferred tax assets	(3,751,000)	(3,326,000)
	\$ -	\$ -

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## Intercontinental Gold and Metals Ltd.

### Notes to Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian Dollars)

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#### 17. Income taxes (continued)

(c) The significant components of the Company's 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, 2019	Expiry Date Range	December 31, 2018	Expiry Date Range
<b>Temporary Differences</b>				
Exploration and evaluation assets	\$ 3,453,000	No expiry date	\$ 3,455,000	No expiry date
Property and equipment	203,000	No expiry date	93,000	No expiry date
Share issue costs and other	915,000	2029 onwards	200,000	2029 onwards
Allowable capital losses	4,903,000	No expiry date	4,904,000	No expiry date
Non-capital losses available for future periods	4,093,000	2033 to 2039	3,085,000	2032 to 2038

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

#### 18. Related party transactions

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

	Year ended December 31, 2019	Period ended December 31, 2018
Irwin Lowy LLP (i)	\$ 21,677	\$ 46,491

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(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 December 31, 2019, the Company owed \$31,456 (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.

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## Intercontinental Gold and Metals Ltd.

### Notes to Consolidated Financial Statements

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#### 18. Related party transactions (continued)

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	Year ended December 31, 2019	Period ended December 31, 2018
Consulting fees	\$ 661,088	\$ 513,066
Directors fees	32,000	24,000
Share-based compensation	20,717	376,705
	<b>\$ 713,805</b>	<b>\$ 913,771</b>

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As at December 31, 2019, accounts payable and accrued liabilities included \$172,430 (December 31, 2018 - \$219,322) owing to directors, officers, 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.

During the period ended December 31, 2018, the Company entered into an agreement with the VP of Operations to settle accounts payable and accrued liabilities and recognized a gain on settlement of debt of \$8,585.

During the period ended December 31, 2018, the Company issued 230 Units in the second tranche of its previously announced unit financing completed on April 13, 2018 to a company owned by a director and officer to settle accounts payable and accrued liabilities of \$230,000 (note 12).

As at December 31, 2019, total promissory notes payable to related parties were \$561,670 (December 31, 2018 - \$489,751)

#### 19. Financial instruments and risk management

The fair values of cash, 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 December 31, 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 to receivables from such customers is considered low based upon the nature of the Company's relationship and payment history with the customers.

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## Intercontinental Gold and Metals Ltd.

### Notes to Consolidated Financial Statements

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#### 19. Financial instruments and risk management (continued)

##### *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 December 31, 2019, the Company had a cash balance of \$1,069,573 to settle current liabilities of \$4,219,527. 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.

##### *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 and Bolivianos.

##### *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 year ended December 31, 2019, a 5% change in gold prices would result in an immaterial increase/decrease in the Company's pre-tax income. As at December 31, 2019, the embedded derivative arising from the provisional pricing is immaterial.

##### *Fair value hierarchy*

Cash and receivables are measured at amortized cost. Accounts payable and accrued liabilities and promissory notes are measured at amortized cost. None of the Company's financial instruments are classified as fair value through profit and loss ("FVTPL").

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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## **Intercontinental Gold and Metals Ltd.**

### **Notes to Consolidated Financial Statements**

**December 31, 2019**

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#### **19. Financial instruments and risk management (continued)**

##### *Fair value hierarchy (continued)*

As at December 31, 2019 and December 31, 2018, none of the Company's financial instruments were held at fair value.

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 year ended December 31, 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.

#### **20. 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 year ended December 31, 2019.

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## Intercontinental Gold and Metals Ltd.

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#### 21. 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 December 31, 2019	Canada	Bolivia	Peru	Total
Current assets	\$ 45,445	\$ 6,204,281	\$ -	\$ 6,249,726
Equipment	-	555,637	-	555,637
Goodwill	1,043,359	-	-	1,043,359
Total assets	\$ 1,088,804	\$ 6,759,918	\$ -	\$ 7,848,722
Total liabilities	\$ 5,397,467	\$ 3,818,402	\$ -	\$ 9,215,869

Net (loss) income for the year ended December 31, 2019	\$ (1,809,371)	\$ 1,172,662	\$ (9,848)	\$ (646,557)
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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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#### 22. Subsequent event

Subsequent to the year ended December 31, 2019, 47,250 broker warrants were exercised for proceeds of \$9,450.