DESERT GOLD VENTURES INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 and 2018

(Expressed in US Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Desert Gold Ventures Inc.

Opinion

We have audited the financial statements of Desert Gold Ventures Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying 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 years then ended in accordance with International Financial Reporting Standards.

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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company is an exploration stage company primarily involved in mining and exploration activities which has incurred recurring losses from inception. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

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

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC

June 15, 2020

MOORE

An independent firm
associated with Moore
Global Network Limited

DESERT GOLD VENTURES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in US dollars)

	Note	December 31, 2019	December 31, 2018
		$	$
ASSETS			
Current assets			
Cash		204,379	112,331
GST receivables		23,148	12,180
Prepaid		6,216	-
		233,743	124,511
Non-current assets			
Equipment	3	30,004	46,829
Total assets		263,747	171,340
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	4	316,928	349,751
Notes payable	6	-	183,252
		316,928	533,003
EQUITY (DEFICIENCY)			
Share capital	7	26,571,115	19,274,667
Subscription received	7	-	175,920
Accumulated other comprehensive income		200,878	198,115
Reserves		18,110,865	17,499,477
Deficit		(44,936,039)	(37,509,842)
		(53,181)	(361,663)
Total liabilities and shareholders' deficiency		263,747	171,340

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

SUBSEQUENT EVENTS (Note 12)

Approved for issuance by the board of directors on June 15, 2020

"Sonny Janda"	***"Jared Scarf"***
Director - Sonny Janda	**Director - Jared Scarf**

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

DESERT GOLD VENTURES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in US dollars)

	Note	2019	2018
		$	$
Amortization		16,825	23,416
Investors and shareholders relationship		80,242	54,930
Office and administration		24,168	52,912
Professional and consulting fees	8	360,782	418,176
Prospecting rights and exploration	5	6,295,981	802,358
Rent		30,184	22,304
Share-based compensation	7	393,568	105,077
Transfer agent and listing fees		151,004	45,756
Travel		63,597	94,474
Impairment - Equipment		-	150,000
Loss before the following:		(7,416,351)	(1,769,403)
Finance charges and foreign exchange		(9,846)	(26,197)
Net loss		(7,426,197)	(1,795,600)
Other comprehensive loss:			
Foreign exchange translation gain		2,763	56,478
Comprehensive loss		(7,423,434)	(1,739,122)
Weighted average number of outstanding shares, basic and diluted		63,891,720	36,113,745
Loss per share, basic and diluted		(0.12)	(0.05)

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

DESERT GOLD VENTURES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
(Expressed in US dollars)

	Number	Amount	Subscription received	Reserves: Others	Reserves: Warrants	Reserves: Option	Accumulated other comprehensive income	Deficit	Total
		$	$	$	$	$	$	$	$
December 31, 2017	31,836,840	18,396,509	-	13,755,601	649,166	2,956,036	141,637	(35,714,242)	184,707
Share issuance for cash	6,469,418	878,158	-	-	33,597	-	-	-	911,755
Subscription received	-	-	175,920	-	-	-	-	-	175,920
Share-based compensation	-	-	-	-	-	105,077	-	-	105,077
Translation between functional and reporting currency	-	-	-	-	-	-	56,478	-	56,478
Loss for the year	-	-	-	-	-	-	-	(1,795,600)	(1,795,600)
December 31, 2018	38,306,258	19,274,667	175,920	13,755,601	682,763	3,061,113	198,115	(37,509,842)	(361,663)
Shares issued for cash	28,805,043	3,220,867	(175,920)	-	85,190	-	-	-	3,130,137
Shares issued to acquire mineral interests	3,250,000	307,107	-	-	-	-	-	-	307,107
Shares issued to acquire mineral interests from Ashanti	22,729,038	3,768,474	-	-	132,544	86	-	-	3,901,104
Share-based compensation	-	- -	-	-	-	393,568	-	-	393,568
Translation between functional and reporting currency	-	-	-	-	-	-	2,763	-	2,763
Loss for the year	-	-	-	-	-	-	-	(7,426,197)	(7,426,197)
December 31, 2019	93,090,339	26,571,115	-	13,755,601	900,497	3,454,767	200,878	(44,936,039)	(53,181)

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

DESERT GOLD VENTURES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in US dollars)

	2019	**2018**
	$	$
OPERATING ACTIVITIES		
Loss for the period	(7,426,197)	(1,795,600)
Adjustments for non-cash items:		
Amortization	16,825	23,416
Foreign exchange	9,846	19,997
Impairment - equipment	-	150,000
Share-based compensation	393,568	105,077
Shares, warrants, and options issued for acquisition of exploration interests	4,208,211	-
Changes in non-cash working capital items:		
GST receivables	(10,968)	(2,273)
Prepaid	(6,216)	2,808
Accounts payable and accrued liabilities	(32,823)	147,311
Cash used in operating activities	(2,847,754)	(1,349,264)
FINANCING ACTIVITIES		
Issuance (repayment) of promissory notes	(183,252)	299,243
Net proceeds from share issuance and subscription receipt	3,125,183	829,631
Cash provided by financing activities	2,941,931	1,128,874
Effect of foreign exchange rate on cash	(2,129)	42,710
Increase (decrease) in cash	92,048	(177,680)
Cash, beginning of year	112,331	290,011
Cash, end of year	204,379	112,331

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Desert Gold Ventures Inc. (the "Company") is an exploration stage company and is engaged in the acquisition, exploration and development of mineral resource properties. The principal business of the Company is conducting mineral property exploration in Mali and Rwanda. The Company's shares are traded on the TSX Venture Exchange (the "TSX-V") under the symbol DAU.

The head office and principal address is located at 4770-72nd Street, Delta, BC V4K 3N3.

The Company is an exploration stage company primarily involved in mining and exploration activities which has incurred recurring losses from inception. These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at December 31, 2019, the Company had not advanced its property to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or private placement of common shares. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its consolidated statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements of the Company for the year ended December 31, 2019 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors June 15, 2020.

Basis of consolidation and presentation

These consolidated financial statements have been prepared on an historical cost basis, modified where applicable. These statements have been prepared using the accrual basis of accounting except for cash flow information, are presented in US dollars, unless otherwise specified.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation and presentation (continued)

These consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances have been eliminated. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries of the Company are as follows:

Name	Country of incorporation	Ownership percentage December 31, 2019	Ownership percentage December 31, 2018
TransAfrika Belgique S.A.	Belgium	100%	100%
TransAfrika Rwanda Gold S.A.R.L.	Rwanda	100%	100%
TransAfrika Mali S.A. (dormant) (i)	Mali	-	74%
TransAfrika Senegal S.A. (dormant)	Senegal	100%	100%
GoldBanks Nevada Ventures Inc. (dormant)	USA	100%	100%
Ashanti Gold Corp.	Canada	100%	-
Ashanti Gold Mali S.A.R.L.	Mali	100%	-
Desert Gold Mali S.A.R.L.	Mali	100%	100%

(i) The Company's former dormant subsidiary TransAfrika Mali S.A. was dissolved in 2019.

Accounting Standards Adopted

IFRS 16 'Leases' ("IFRS 16") - Effective January 1, 2019, the Company adopted IFRS 16 which supersedes IAS 17 Leases ("IAS 17"). The Company has applied the new standard using the modified retrospective approach with no restatement of comparative periods. There were no adjustments to retained earnings as a result of adoption. The Company has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its previous assessment made under IAS 17 and IFRIC 4 Determining whether an arrangement contains a lease. The definition of a lease under IFRS 16 was applied only to contracts entered into or modified on or after January 1, 2019.

The Company applied the following practical expedients when adopting IFRS 16 to leases previously classified as operating leases under IAS 17:

- Relied on previous assessments on whether leases are onerous; and
- Applied the exemption not to recognize right-of-use assets and liabilities for leases where the lease term ends within 12 months of the date of initial application.

On transition to IFRS 16, the Company did not recognize any lease assets or liabilities as it did not have any lease agreements in place. As at December 31, 2019, the Company incurred $30,184 in rent expense, relating to short-term leases.

Functional and reporting currency

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in United States dollar, which is the Company's reporting currency. The functional currency of the Company and its Canadian subsidiary Ashanti Gold Corp. is the Canadian dollar. The functional currency of other subsidiaries is the United States dollar, except for TransAfrika Mali S.A. and Desert Gold Mali S.A.R.L, which uses the CFA Franc.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional and reporting currency (continued)

Transactions and balances:

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Foreign operations:

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recognized in other comprehensive income and recorded in the Company's accumulated other comprehensive income reserve in equity. These differences are recognized in profit or loss in the period in which the operation is disposed.

Significant estimates and assumptions

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Significant Judgements

The most significant judgments in applying the Company's accounting policies in these consolidated financial statements are:

Title to Mineral Property Interests
Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfer and title may be affected by undetected defects. Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfer and title may be affected by undetected defects.

Determination of Functional Currency
The Company determines the functional currency through its analysis of several indicators such as expenses and cash flow, financing activities, and frequency of transactions with the reporting entity.

Other significant judgments in applying the Company's accounting policies relate to the assessment of the Company's ability to continue as a going concern (Note 1) and the classification of its financial instruments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation and presentation (continued)

Significant estimates and assumptions (continued)

Significant Estimates
Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include:

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

Mining exploration

Mineral property acquisition and exploration costs are expensed as incurred. When a decision is taken that a commercially viable mineral deposit has been established all further pre-production expenditures including evaluation costs are capitalized. Cash flows associated with exploration and evaluation expenditures are classified as operating activities in the statement of cash flows.

Impairment

The carrying amount of the Company's non-financial assets (which include equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. Any reversal of impairment cannot increase the carrying value of the asset to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equipment

Equipment is stated at historical cost less accumulated amortization and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or 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 carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in net loss.

Amortization
Amortization in profit or loss is provided on a straight-line basis over the estimated useful life of the assets as follows:

• Drilling equipment	20%
• Office equipment	33%
• Furniture and fixtures	33%

Financial Instruments

Classification
The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive 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 the Company has opted to measure them at FVTPL.

Financial assets
On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed.

All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

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.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash is measured at FVTPL.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

Impairment of financial assets
IFRS 9 uses the expected credit loss ("ECL") model. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The ECL model applies to the Company's receivables. An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the year.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities
Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable, due to shareholder, and convertible debentures are classified under other financial liabilities and carried on the statement of financial position at amortized cost.

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.

Gains and losses on derecognition are generally recognized in profit or loss. The Company does not have any derivative financial assets and liabilities.

Fair value of Warrants

Warrants issued in unit private placements are valued using the residual method. Warrants issued as compensation from financings are valued using the Black–Scholes Option Pricing model. When warrants are issued, the fair value is recorded in the warrant reserve, with the corresponding entry to share capital. When warrants are exercised, their fair value is removed from the warrant reserve account and recorded as share capital.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the year. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

Current income tax:
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax:
Deferred tax is recognized on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

Related parties

For the purpose of these financial statements parties are considered to be related to the Company if they have the ability to directly or indirectly control the Company or exercise significant influence over the Company in making financial and operating decisions or vice versa or where the Company is subject to common control or common significant influence. Related parties may be individuals or other entities.

Share-based payments

The Company operates a stock option plan. Share-based payments to directors, officers, employees and consultants are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black–Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(Expressed in US dollars)

3. EQUIPMENT

	Drilling equipment	Office equipment	Furniture and fixtures	Total
Cost:	$	$	$	$
At December 31, 2017	150,000	43,082	41,044	234,126
Provision for impairment	(150,000)	-	-	(150,000)
At December 31, 2018	-	43,082	41,044	84,126
Changes during the year	-	-	-	-
At September 30, 2019	-	43,082	41,044	84,126
Amortization:				
At December 31, 2017	-	7,109	6,772	13,881
Charge for the year	-	11,992	11,424	23,416
At December 31, 2018	-	19,101	18,196	37,297
Charge for the year	-	8,616	8,209	16,825
At December 31, 2019	-	27,717	26,405	54,122
Net book value:				
At December 31, 2017	150,000	35,973	34,272	220,245
At December 31, 2018	-	23,981	22,848	46,829
At December 31, 2019	-	15,365	14,639	30,004

4. ACCOUNT PAYABLES AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities consisted of the following:

	December 31, 2019	December 31, 2018
Trade payable	$ 283,013	$ 316,985
Accrued liabilities	33,915	17,519
Interest payable	-	15,247
	$ 316,928	$ 349,751

5. EXPLORATION AND EVALUATION PROPERTIES

The Company is an exploration stage Company which holds various mineral property interests.

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of resource properties in Mali and Rwanda.

Rwanda Project

On December 13, 2016, the Rwandan government issued the Company a commercial gold mining license, valid for a period of 10 years, with an option to renew.

During the year ended December 31, 2019, the Company incurred costs of $24,000 (2018- $29,660) related to the Rwanda project.

Mali Project

The Company has the Farabantourou, Djimbala and Segala Ouest projects (collectively the “Mali Projects”) through its subsidiary Desert Gold Mali SARL, located in Mali.

The Company’s Farabantourou project consists of a small-scale mining license, issued in October 2018 for four years, and a Farabantourou permit issued in November 2018, for an initial 3-year term with for two additional 2-year terms. The Company is required to incur minimum exploration expenditures of $138,000, $332,000, and $371,000 during the first, second, and third year respectively for the maintenance of the Farabantourou permit. The Company has successfully met the required minimum exploration expenditures for the first anniversary year.

The Company received a new Djimbala permit issued in October 2019, for an initial 3-year term. Furthermore, the license terms grant the Company the option to renew the permit for two additional 2-year terms. The Company is required to incur minimum exploration expenditures of $123,000, $321,000, and $357,000 during the first, second, and third years respectively.

The Company’s Segala West permit expired in 2017. The renewal application was denied during 2019.

During the year ended December 31, 2019, the Company incurred $1,609,285 (2018 - $772,698) for the exploration, permit application, and salaries for the Mali Projects.

Acquisition of mineral interests

On April 1, 2019, the Company and Ashanti Gold Corp. (“Ashanti”) entered into an agreement (the “Definitive Agreement”) to which the Company will acquire all of the issued and outstanding common shares of Ashanti (the “Ashanti Shares”), (the “Transaction”). The Transaction was carried out by way of amalgamation. Under the terms of the Definitive Agreement, all of the issued and outstanding Ashanti Shares were exchanged on the basis of 0.2857 (the “Conversion Ratio”) the Company’s common shares (each whole share, a “Desert Gold Share”) for each Ashanti Share. On August 22, 2019, 21,097,657 Desert Gold Shares were issued to Ashanti shareholders (for the Transaction) and 1,631,381 Desert Gold Shares were issued to outgoing Ashanti management and directors (for debt settlement). The fair value of Desert Gold Shares issued was $3,768,474.

The Company also issued 6,308,170 warrants and 342,840 options (the “Replacement Warrants and Options”) at the same Conversion Ratio.

(Expressed in US dollars)

5. EXPLORATION AND EVALUATION PROPERTIES (CONTINUED)

Acquisition of mineral interests

At the transaction date, the Company determined that Ashanti did not constitute a business as defined under IFRS 3, Business Combinations, and the transaction was accounted for as an asset acquisition. The excess of the consideration paid over the fair value of the net liabilities assumed was attributed to the exploration and evaluation assets and expensed.

Details of this Transaction is as follows:

Shares issued for acquisition	$	3,768,474
Replacement warrants and options pending to issue		135,500
Assumption of liabilities		154,703
Total consideration of acquisition of mineral properties	$	4,058,677

Expiry Date	No of Replacement Warrants -August 22, 2019	Exercise Price CAD	No of Replacement Warrants December 31, 2019
28-09-2019	714,250	1.26	-
17-11-2019	679,400	1.40	-
05-12-2019	320,550	1.40	-
20-04-2020	2,517,217	0.91	2,517,217
24-08-2020	571,400	0.46	571,400
01-02-2021	1,505,353	0.28	1,505,353
24-08-2019	8,571	0.30	-
01-02-2020	98,495	0.18	98,495
	6,415,236		4,692,465

Expiry Date	No of Replacement Options -August 22, 2019	Exercise Price CAD	No of Replacement Options -December 31, 2019
22-Dec-19	285,700	0.88	-
03-Apr-20	57,140	0.70	57,140
	342,840		57,140

The Company used Black Scholes option pricing model and the following assumptions to determine the fair values of the replacement warrants and options: annualized volatility of 100%, dividend rate of Nil %, and expected life from 0.16 years to 1.42 years.

Ashanti's two mineral interests are
- An option agreement to earn interest for a mining permit in Ghana
- An exploration permit in Mali (the "Farikounda Permit")

On September 14, 2016, Ashanti entered into an option agreement for the Anumso Project in Ghana (the "Anumso Option") with Goldplat PLC ("Goldplat") whereby Ashanti earned an 51% of the Anumso Project in February 2019.

5. EXPLORATION AND EVALUATION PROPERTIES (CONTINUED)

Acquisition of mineral interests (continued)

The Farikounda permit in Mali was recently renewed on November 25, 2019, for three years with the option to renew for two additional 2-year terms. The Company is required to incur minimum exploration expenditures of $158,000, $419,000, and $347,000 during the first, second, and third year respectively.

During the year ended December 31, 2019, the Company entered into an option agreement with Mineral Management Consulting (“MMC”) to acquire a 100% interest in two properties contiguous and proximal to the Company’s Farabantourou concession in Mali. The Company will earn a 100% interest in the Project satisfying the following headline terms:

- The Company is to pay MMC CAD $500,000, of which CAD $250,000 was paid in July, 2019 to earn an initial 55% percent interest with the balance of CAD $250,000 to be paid over 3 years;
- The issuance of 1,000,000 common shares to MMC in 4 instalments of which 250,000 shares were issued in August 2019 (with a fair value of $35,974) and the remaining instalments are to be issued annually over 3 years;
- Incur exploration expenditures of CAD $350,000 over 3 years;
- MMC shall retain a two (2%) percent net smelter royalty on all ore mined from the properties;
- During the 3-yerar option period, the Company shall be responsible for maintaining the permit in good standing and performing any and all obligations required by law and will take over operation control of the projects on closing of the transaction with MMC.

In August, 2019, the Company entered into an agreement (the “Agreement”) with Altus Strategies PLC (“Altus”), to acquire Altus’ Sebessounkoto Sud and Djelimangara gold projects (the “Project”) which are contiguous to the Company’s Senegal Mali Shear Zone Project located in Western Mali.

The Company will earn a 100% interest in the Project by satisfying the following headline terms:

Part 1: Consideration

Upon signing the Company will:

- Within 5 business days make a cash payment to Altus of $50,000 (paid in October 2019); and
- Within 14 business days and subject to any regulatory approval as may be required, issue 3,000,000 common shares (issued in October 2019 with a fair value at $271,309) to Altus.

Part 2: Milestone payments:

Upon the reception of a NI 43-101 compliant independent resource over the Project, which exceeds 500,000 ounces of gold, the Company will (in respect of the first 500,000 ounces only):

- Within 5 business days make a cash payment to Altus of $100,000; and
- Within 14 business days and subject to any regulatory or shareholder approvals as may be required, issue 2,000,000 common shares to Altus.

Upon the reception of a NI 43-101 compliant independent resource over the Project which exceeds 1,000,000 ounces of gold then the Company will (in respect of the second 500,000 ounces only):

- Within 5 business days make a cash payment to Altus of $100,000; and
- Within 14 business days and subject to any regulatory or shareholder approvals as may be required, issue 3,000,000 shares to Altus (issued on November 7, 2019)

5. EXPLORATION AND EVALUATION PROPERTIES (CONTINUED)

Acquisition of mineral interests (continued)

Part 3: Project Royalties

Altus will retain a 2.5% Net Smelter Return ("Altus NSR") royalty on the Project.

The Company will have the right to purchase up to 1.5% of the Altus NSR. The amount payable will be calculated by reference to the NI 43-101 gold reserve figure reported in an independent definitive feasibility study on the Project as follows:

- If the reserve is greater than 1,000,000 ounces, then $6,000,000;
- If the reserve is less than 1,000,000 ounces but greater than 500,000 ounces, then $3,000,000;
- If the reserve is less than 500,000 ounces but greater than 250,000 ounces, then $1,000,000;
- Furthermore, the Company will have a 60-day right of first refusal, to acquire such portion of the balance of the Altus NSR that Altus may, from time to time, wish to sell.

Altus will provide the Company a 10-day written notice of any intention to sell any of its Desert Gold shares. During that 10-day period, the Company will have the right to find a third party to acquire such shares directly from Altus.

d) In September, 2019, the Company entered into an option agreement with SUD Mining SARL ("SUD") to secure the right to acquire a 95% interest in the Linguekoto property (the "Linguekoto"), which is contiguous to the Company's SMSZ Project.

Terms of this option agreement are as follows:

- the Company to pay SUD $150,000, of which $50,000 will be paid upon closing of the transaction (paid in October 2019) with the balance of $100,000 to be paid over a 3-year period;
- Incur exploration expenditures of $120,000 over a 3-year period;
- During the 3-year option period, the Company shall be responsible for maintaining the permit in good standing and perform any and all obligations required by law;
- Bonus shares: In the event that, within 60 months from the transaction date, 100,000 oz Au, NI 43-101 compliant reserves are discovered at Linguekoto, the Company will issue 250,000 common shares to SUD. The Company will issue an additional 250,000 common shares for every additional 100,000 ounces of gold, NI compliant 43-101 reserves declared at Linguekoto, up to a maximum aggregate amount of 1,250,000 shares;
- SUD will retain a 5% carried interest, in the concession, before any interest retained by the government of Mali.

(Expressed in US dollars)

5. EXPLORATION AND EVALUATION PROPERTIES (CONTINUED)

Summary of exploration expenditures

Exploration expenditures incurred during the year ended December 31, 2019 are as follow:

	Ashanti property	MMC Option	Sud Option	Altus Option	Mali Project	Rwan-ada	Total
	$	$	$	$	$	$	$
Acquisition	4,058,677	232,710	50,000	321,309	-	-	4,662,696
Permit renewal and maintenance	-	-	-	-	125,509	-	125,509
Drilling	-	-	-	-	406,297	-	406,297
Office and administration	-	-	-	-	659,932	-	659,932
Salaries	-	-	-	-	417,547	24,000	441,547
Total	4,058,677	232,710	50,000	321,309	1,609,285	24,000	6,295,981

6. NOTES PAYABLE

On March 6, 2018, the Company executed a promissory note of CAD$250,000 (or US$183,252) plus a cash fee of 2%. The loan bore interest at 10% per annum, was unsecured and was initially due 60 days from the effective date, which was subsequently extended to December 31, 2018. The Company fully repaid the principal and accrued interest during the year ended December 31, 2019.

7. SHARE CAPITAL

(a) Share capital

Authorized share capital

Unlimited number of voting common shares without par value; and 1,250,000 preferred shares issuable in series with rights and restrictions to be determined by the directors prior to any issuances.

Issued share capital

2019

On November 30, 2018, the Company initiated a non-brokered private placement of up to 5,000,000 units at a price of CAD $0.15 per unit (the "Unit") to raise up to an aggregate of $750,000 (the "Financing"). Each Unit consisted of one common share and one warrant (the "Warrant"). Each Warrant entitled the holder to purchase one additional common share of the Company at a price of $0.15 per common share for a period of 2 years from the closing of the Financing, subject to a 30-day acceleration period, upon announcement by the Company of the common shares trading at $0.75 or more for 10 consecutive trading days. The Company received CAD$240,000 ($175,920) in subscriptions as at December 31, 2018.

The Company closed the Financing on January 25, 2019 and issued 5,851,500 Units for gross proceeds of CAD$877,725 ($661,486). The Company has paid CAD$3,706 ($2,793) and issued 24,710 Warrants for finder's fees.

During the year ended December 31, 2019, the Company issued 1,000,000 common shares on the exercise of warrants for total proceeds of CAD$90,000 ($67,827).

(Expressed in US dollars)

7. SHARE CAPITAL (CONTINUED)

(a) Share capital (continued)

Issued share capital (continued)

On July 29, 2019, the Company closed a private placement ("Placement") by issuance of security units at CAD$0.16 per share. Each unit consists of one common share and one share purchase warrant. Each warrant can be exercised into one common share at CAD$0.24 per share for a period of 2 years after issuance. The Company issued 21,953,543 units for gross proceeds of CAD$3,512,567 ($2,647,197)

The Company paid finder's fees of CAD$88,109 ($66,402) and issued 1,163,181 non-transferable brokers warrants (a "Broker Warrant"). Each broker warrant entitles the holder to purchase one common share of the Company at a price of CAD$0.18 for a period of two years.

The Company also issued 250,000 common shares, 22,729,038 common shares, and 3,000,000 common shares for acquisition of mineral interests (Note 5).

2018

On March 26, 2018, the Company issued 2,152,750 units at a price of CAD$0.25 per unit for gross proceeds of CAD $538,187 ($420,011) of which 630,000 units were issued to settle notes payable of $122,220 and 540,000 units were issued to directors and officers to settle bonus payable of $104,760. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of CAD$0.30 per share for a period of two years from closing subject to a 30 days acceleration clause, at the Company's election, when the Company's shares have traded on a volume weighted average basis of CAD$0.60 or more per share for at least ten consecutive trading days. The Company applied residual method to account for the issuance of warrants and has recorded $33,597 to the reserve. The Company paid CAD$3,000 ($2,377) and issued 12,000 share purchase warrants with fair value of CAD$240 as finders' fees.

On May 23, 2018 the Company issued 4,316,668 units at a price of CAD$0.15 per unit for gross proceeds of CAD $647,500 ($502,848) of which 266,667 units were issued to an officer and a company controlled by a director to settle debt of $31,064. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of CAD$0.20 per share for a period of five years from closing. The Company applied residual method to account for the issuance of warrants and has recorded CAD $Nil ($Nil) to the reserve. The Company paid CAD$11,238 ($8,727) professional fees in connection with this private placement.

(b) Stock options

Stock option continuity is as follows:

	Number	Weighted average exercise price	
Balance, December 31, 2017	2,892,580	CAD$	0.24
Granted	845,000		0.25
Expired	(1,447,068)		0.24
Balance, December 31, 2018	2,290,512	CAD$	0.24
Granted	1,125,000		0.19
Granted	2,925,000		0.16
Granted (replacement options)	342,840		0.85
Expired (replacement options)	(285,700)		0.88
Balance, December 31, 2019	6,397,652	CAD$	0.19

(Expressed in US dollars)

7. SHARE CAPITAL (CONTINUED)

(b) Stock options (continued)

Stock options outstanding and exercisable as at December 31, 2019 are summarized as follows:

Exercise price (CAD$)	Number of options outstanding	Weighted average remaining contractual life (Year)	Expiry date	Number of options exercisable
0.70	57,140	0.25	April 3, 2020	57,140
0.20	550,000	1.08	January 29, 2021	550,000
0.30	156,305	2.03	January 10, 2022	156,305
0.25	430,464	2.57	July 26, 2022	430,464
0.25	508,743	2.86	November 8, 2022	508,743
0.25	645,000	3.33	May 1, 2023	645,000
0.19	1,125,000	4.11	February 8, 2024	1,125,000
0.16	2,925,000	4.76	October 4, 2024	2,925,000
	6,397,652	3.78		6,397,652

The Company granted 1,125,000 and 2,925,000 stock options to consultants, directors, and officers on February 8, 2019 and October 4, 2019 respectively. These options vested on issuance, have an exercise price of CAD$0.19 and CAD$0.16 per share respectively and will expire 5 years after issuance.

For the year ended, December 31, 2019, the Company recognized share-based compensation expense of $393,568 (2018 - $105,077) relating to the grant of options. The fair value of options has been estimated by using the Black-Scholes option pricing model with the application of the following assumptions:

	2019	2018
Risk-free interest rate	1.2 % to 1.8%	2.17%
Expected life of options	5 years	5 years
Annualized volatility	125%	130%
Dividend rate	0.00%	0.00%

(c) Warrants

As December 31, 2019, the weighted average remaining life of the Company’s outstanding warrants was 1.75 years. Continuity is as follows:

	Number	Weighted average exercise price
Balance, December 31, 2017	12,455,900	CAD$ 0.24
Issuance of finders’ warrants	12,000	0.30
Issuance of warrants for private placement	2,152,750	0.30
Issuance of warrants for private placement	4,316,668	0.20
Balance, December 31, 2018	18,937,318	0.24
Exercise of warrants	(1,000,000)	0.09
Issuance of replacement warrants	6,415,236	0.84
Expiry of replacement warrants	(1,722,771)	1.34
Issuance of finders’ warrants	24,710	0.15
Issuance of warrants for private placement	5,851,500	0.15
Issuance of warrants for private placement	21,953,543	0.24
Issuance of finders’ warrants	1,163,181	0.18
Balance, December 31, 2019	51,622,717	CAD$ 0.27

(Expressed in US dollars)

8. RELATED PARTY TRANSACTIONS

a) Transactions with key management personnel:

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 consist of executive and non-executive members of the Board of Directors and corporate officers. The aggregate values of transactions relating to key management are as follows:

	2019	2018
Consulting fees	$ 297,906	$ 225,380
Performance bonus	-	104,760
Share-based compensation	$ 311,552	$ 64,919

b) Balances due to related parties:

Amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment. The Company's accounts payable and accrued liabilities (Note 4) included the following balances owing to related parties.

Due to Related parties	Nature	2019	2018
Chief executive officer	Consulting fees	$ -	$ 52,717
Chief financial officer	Consulting fees	3,080	4,325
Former Director	Consulting fees	1,608	1,531
Director	Consulting fees	4,244	9,707
		$ 8,932	$ 68,280

9. FINANCIAL INSTRUMENTS

Classification of financial instruments

Financial instruments included in the statement of financial position are as follows:

		2019	2018
Cash	Amortized cost	$ 204,379	$ 112,331
Interest payable	Amortized cost	-	15,247
Note payable	Amortized cost	-	183,252
Trade payables	Amortized cost	$ 283,012	$ 316,985

Fair value

The fair value hierarchy established by IFRS 13 Fair Value Measurement has three levels to classify the inputs to valuation techniques used to measure fair value described as follows:

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

9. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value (continued)
At the respective reporting dates, all of the Company's financial instruments had maturities less than one year. As a result, the carrying amount of note payable, accounts payable approximated their fair values due to their short-term maturities.

Risk management
The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company has exposure to the following risks from its use of financial instruments:

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure as far as possible that it will always have sufficient cash on demand to meet its liabilities when they fall due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Company's reputation.

Historically, the Company's primary source of funding has been the issuance of equity securities for cash, primarily through private placements and loans from related and other parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Interest rate risk
As at December 31, 2019, the Company did not have any significant exposure to the risk of changes in market interest rates as the Company did not have any financial instruments that are exposed to changes in interest rates.

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers and investment securities

The potential concentration of credit risk consists mainly of cash and other receivables. The Company limits its counterparty exposures from its cash by only dealing with well-established financial institutions of a high quality credit standing. The maximum exposure to credit risk is represented by the carrying amount of each financial asset on the statement of financial position.

At the reporting date the majority of the Company's cash resources were deposited with reputable established financial institutions. As a result, management believes the Company is not exposed to significant credit risk due to the credit worthiness of these counterparties.

Foreign currency risk
Foreign currency risk arises from holdings of financial assets and liabilities in currencies other than the function currency to which they relate. The Company and its subsidiaries have minimal such holdings, consequently foreign currency risk is considered low.

(Expressed in US dollars)

10. CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence, safeguard the Company's ability to support the exploration and development of its exploration and evaluation assets and to sustain future development of the business. The capital structure of the Company consists of equity and debt obligations, net of cash.

There were no changes in the Company's approach to capital management during the year.

The Company is not exposed to any external capital requirements.

11. INCOME TAXES

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

	2019	2018
Loss for the year	$ (7,426,000)	$ (1,795,600)
	27%	27%
Expected income taxes recovery at statutory	(2,005,000)	(485,000)
Non-deductible items	106,000	29,000
Impact of different foreign statutory tax rates on earnings on subsidiaries	(35,000)	(46,000)
Adjustments to prior year versus statutory returns	196,000	(45,000)
Foreign exchange, expired losses and other	(6,000)	593,000
Change in unrecognized deductible temporary differences	1,744,000	(46,000)
	$ -	$ -

The significant components of the Company's deferred tax assets that have not been set up are as follows:

	2019	2018
Evaluation and exploration assets	$ 679,000	$ 646,000
Non-capital losses	4,008,000	2,297,000
	4,687,000	2,943,000
Unrecognized deferred tax assets	(4,687,000)	(2,943,000)
Net deferred tax assets	$ -	$ -

The Company has approximately $11,195,000 in Canadian non-capital losses which expire between 2026 and 2039, $2,477,000 in foreign non–capital losses which expire between 2020 and 2024.

12. SUBSEQUENT EVENTS

On March 3, 2020, the Company borrowed $110,000. Fees of $10,000 were paid. The Company has granted the lender a general and continuing collateral security to secure the due payment. This loan has an interest of 10% per annum and was due May 31, 2020. The loan is not repaid as of today and the lender has agreed to extend the term of the loan to payable on demand.

On April 9, 2020, the Company signed a four-year option agreement with Indigo Exploration Inc (“Indigo”), whereby Indigo can acquire up to 100% interest in the Djimbala Permit (Note 5) by the issuance of shares of Indigo and completing work. Upon completing a positive title opinion and financing of at least $500,000, Indigo would make a share issuance to Desert Gold equivalent of $50,000 of Indigo common shares at a deemed price of 5 cents per share, and three subsequent share issuances over three years totalling $300,000 at a deemed price equal to the volume weighted average price for the prior 10 day trading period. With work expenditures of CAD $400,000, Indigo would earn 51% in the permit and with an additional CAD $600,000 work expenditure, Indigo would earn 100% interest in the permit, subject to a 2% net smelter royalty (“NSR”) in favour of the Company, where 1% NSR could be bought out at any time for USD $1 million by Indigo.

On April 27, 2020, the Company raised CAD $1,283,000 through the sale of 16,037,500 units at CAD$0.08 per unit. Each unit consists of one common share and one-half common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.15 per share for a period of three (3) years after issuance. In connection with closing, the Company will pay finders’ fees of CAD $46,550 and issue 581,875 non-transferable brokers warrants Each Broker Warrant entitles the holder to purchase one common share of the Company at a price of $0.15 for a period of three years.

On May 5, 2020, the Company issued 250,000 common shares and paid CAD$100,000 ($75,364) to MMC to fulfil the annual instalment obligation in connection with the acquisition of mineral interest from MMC (Note 5).

On May 13, 2020, the Company granted a total of 2,925,000 incentive stock options to certain directors, officers, employees and consultants at exercise price of CAD$0.10 per share and an expiry date five (5) years from the date of grant.

On May 26, the Company issued 25,000 common shares for options exercised at $0.10 per share

On May 29, 2020, the Company granted a total of 300,000 incentive stock options to a consultant at exercise price of CAD$0.20 per share and an expiry date five (5) years from the date of grant.

In June of 2020, 1,465,000 common shares were issued for warrant exercise at CAD$0.09 per share.

The recent outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company’s business activities. The extent to which the coronavirus may impact the Company’s business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.