

Condensed consolidated interim financial statements of

Samco Gold Limited

As at and for the three and six months ended June 30, 2020

(Unaudited – Prepared by Management)

Samco Gold Limited

Advisory to reader

Under National Instrument 51-102, if an auditor has not performed a review of interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements have been prepared by, and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an auditor.

Samco Gold Limited

As at and for the three and six months ended June 30, 2020

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Samco Gold Limited

Condensed consolidated interim statements of loss and comprehensive loss

For the three and six months ended June 30,

(Unaudited)

(In United States dollars, except where otherwise stated)

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
	\$	\$	\$	\$
Administrative expenses (Note 5)	(43,073)	(55,221)	(162,922)	(324,872)
Finance and interest charges	(15,910)	(14,065)	(29,835)	(16,089)
Foreign exchange (loss)/gain	(12,558)	(6,445)	10,291	532
Impairment of exploration assets	-	(775)	-	(4,642)
Loss before tax	(71,541)	(76,506)	(182,466)	(345,071)
Income and deferred tax recovered (Note 7)	-	43	-	86
Income and deferred tax recovered	-	43	-	86
Loss and comprehensive loss	(71,541)	(76,463)	(182,466)	(344,985)
Loss and comprehensive loss per share, basic (Note 10(e))	(0.001)	(0.001)	(0.002)	(0.004)
Loss and comprehensive loss per share, diluted (Note 10(e))	(0.001)	(0.001)	(0.002)	(0.004)
Weighted average number of shares outstanding, basic (Note 10(e))	82,657,687	82,657,687	82,657,687	82,657,687
Weighted average number of shares outstanding, diluted (Note 10(e))	82,657,687	82,657,687	82,657,687	82,657,687

Samco Gold Limited

Condensed consolidated interim statements of financial position

As at,

(Unaudited)

(In United States dollars, except where otherwise stated)

	June 30, 2020	December 31, 2019
	\$	\$
Assets		
Current assets		
Cash	52,061	7,891
Prepaid and other assets	40,469	18,356
Total current assets	92,530	26,247
Total assets	92,530	26,247
Equity and liabilities		
Capital and reserves		
Share capital (Note 10(a))	33,599,498	33,599,498
Other capital contributions (Note 12)	1,031,503	1,031,503
Capital redemption reserve (Note 11)	12,517,683	12,517,683
Warrants (Note 10(b))	900,802	900,802
Share-based payment reserve (Notes 10(c) and 10(d))	5,024,282	5,024,282
Deficit	(54,301,060)	(54,118,594)
Total deficit	(1,227,292)	(1,044,826)
Current liabilities		
Due to related parties (Note 6)	969,223	830,586
Accounts payable and accrued liabilities	350,599	240,487
Total current liabilities	1,319,822	1,071,073
Total liabilities	1,319,822	1,071,073
Total (deficit)/equity and liabilities	92,530	26,247

Going concern (Note 2)

Approved by the Board on August 24, 2020.

"John Hick" Director

"Charles Koppel" Director

Samco Gold Limited

Condensed consolidated interim statements of changes in deficit

As at,

(Unaudited)

(In United States dollars, except where otherwise stated)

	Share capital	Other capital contributions	Capital redemption reserve	Warrants	Share-based payment reserve	Deficit	Total
	\$	\$	\$	\$	\$	\$	\$
Opening balance as at January 1, 2019	33,599,498	1,031,503	12,517,683	900,802	5,024,282	(53,241,700)	(167,932)
Loss for the period attributable to shareholders	-	-	-	-	-	(344,985)	(344,985)
Balance as at June 30, 2019	33,599,498	1,031,503	12,517,683	900,802	5,024,282	(53,586,685)	(512,917)
Loss for the period attributable to shareholders	-	-	-	-	-	(531,909)	(531,909)
Balance as at December 31, 2019	33,599,498	1,031,503	12,517,683	900,802	5,024,282	(54,118,594)	(1,044,826)
Loss for the period attributable to shareholders	-	-	-	-	-	(182,466)	(182,466)
Balance as at June 30, 2020	33,599,498	1,031,503	12,517,683	900,802	5,024,282	(54,301,060)	(1,227,292)

Samco Gold Limited

Condensed consolidated interim statements of cash flows

For the three and six months ended June 30,

(Unaudited)

(In United States dollars, except where otherwise stated)

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
	\$	\$	\$	\$
Operating activities				
Loss for the period	(71,541)	(76,463)	(182,466)	(344,985)
Interest expense (Note 6)	15,148	13,463	28,742	14,942
Foreign exchange loss/(gain)	12,603	6,821	(10,196)	(637)
Depreciation (Note 8)	-	225	-	450
Fair value change of derivative liabilities	-	36,024	-	36,034
Impairment charge on exploration assets (Note 9)	-	775	-	4,642
Deferred tax recovered (Note 7)	-	(43)	-	(86)
	(43,790)	(19,198)	(163,920)	(289,640)
Movements in working capital				
(Increase)/decrease in prepaid assets	2,159	(4,463)	(22,113)	7,240
Increase/(decrease) in accounts payable and accrued liabilities	(138,715)	(228,048)	(37,657)	(166,658)
Increase/(decrease) in amounts due to related parties	13,265	56,200	33,805	104,347
Net cash (used in)/provided by operating activities	(167,081)	(195,509)	(189,885)	(344,711)
Investing activities				
Investment in mineral property rights and exploration costs (Note 9)	-	(774)	-	(4,641)
Net cash used in investing activities	-	(774)	-	(4,641)
Financing activities				
Proceeds from / (repayments of) loans/funding due to related parties (Note 6)	68,638	300,000	84,150	400,000
Advances on expected loans due to third parties (Note 1)	150,000	-	150,000	-
Net cash provided by financing activities	218,638	300,000	234,150	400,000
Effect of foreign exchange rate changes on cash	(45)	(376)	(95)	105
Increase/(decrease) in cash	51,512	103,341	44,170	50,753
Cash at the beginning of the period	549	30,439	7,891	83,027
Cash at the end of the period	52,061	133,780	52,061	133,780

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

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Samco Gold Limited

Notes to the condensed consolidated interim financial statements

As at and for the three and six months ended June 30, 2020

(Unaudited)

(In United States dollars, except where otherwise stated)

1. General information

These unaudited condensed consolidated interim financial statements are presented in United States dollars.

Samco Gold Limited (the “Company” or “Samco”) was incorporated in the British Virgin Islands on June 16, 2009. The registered office address is Geneva Place, 2nd Floor, 333 Waterfront Drive, Road Town, Tortola, British Virgin Islands.

The Company’s principal business has historically been the acquisition, exploration and development of precious metals properties in Argentina. Following its reorganization and recapitalization, the Company is currently refocusing its business objectives on new lines of business.

On March 22, 2019, the Company entered into a six-month convertible loan facility (the “Facility”) with Mr. C. Koppel, Executive Chairman and Chief Executive Officer of the Company (the “Lender”). Under the Facility, the Company may request, and the Lender shall advance to the Company, an aggregate total of up to \$450,000 until the maturity date on September 30, 2019. On that date, the Company agreed with the Lender to amend the maturity date of the fully drawn loan from September 30, 2019, to March 31, 2020 (see Note 6). The Facility, that is no longer convertible as the conversion option had expired as of October 1, 2019, is being used for working capital and general corporate purposes while the Company explores new business opportunities. The Facility is now due.

In June 2019, the Company completed the disposition of the common shares of its Argentinian subsidiary, Samco Gold S.A., for a consideration consisting of the granting of a 2% net smelter return royalty from production on the prevailing properties, and a 10% participation interest on the gross sale price of either Samco Gold S.A. or any of its concessions to a third party. Samco valued the consideration at \$Nil in these unaudited condensed consolidated interim financial statements (see Note 9).

On July 24, 2019, Samco announced that it has made an offer to acquire all of the outstanding shares of Echo Pharmaceuticals B.V. (“Echo”) pursuant to a letter of intent dated April 17, 2019, and has received sufficient acceptances to the offer from shareholders of Echo in order to proceed with the transaction contemplated in the letter of intent. Echo is a Dutch specialty pharmaceutical company with full pharma, opiate and GMP licenses, and it is a leader in the innovation and development of advanced cannabinoid-based medicines and products. On August 23, 2019, and subsequently on September 20, October 21, November 20, December 20, 2019, and January 23, 2020, Samco announced that Samco, Echo and the shareholders of Echo continue to be in the process of negotiating a definitive agreement with respect to completion of this reverse takeover transaction, and the terms and structure of a proposed concurrent financing of subscription receipts or other equity or equity-linked securities, and that Samco will provide further updates as the transactions develop.

On June 10, 2020, Samco announced “that it will not proceed with the proposed change of business transaction (the “Transaction”) pursuant to the letter agreement with Echo announced on July 24, 2019 (the “Letter Agreement”). Neither the Company nor Echo have any remaining further obligations to each other under the Letter Agreement.

Upon entry into the Letter Agreement, the Company and Echo constructively engaged in the negotiation of a definitive agreement and satisfying conditions to the Transaction, which conditions included a concurrent financing at an agreed-upon indicative valuation for Echo. While the Transaction was initially well received by industry participants, the market dynamic for cannabis-related financing, and the cannabis industry in general, have significantly changed, such that the Company determined that a concurrent financing at the indicative value described in the Letter Agreement could not be completed. The Company and Echo’s shareholders negotiated the terms of the Transaction but ultimately could not agree upon a reduced valuation for Echo that would make the Transaction (including a concurrent financing) viable. Therefore, the parties determined it was in their respective best interests to terminate the proposed Transaction.

The Company will engage with the TSX Venture Exchange (“TSXV”) to remove the halt imposed on its common shares since the announcement of the entry into of the Letter Agreement, and will continue to seek and engage with potential change of business opportunities”.

Samco Gold Limited

Notes to the condensed consolidated interim financial statements

As at and for the three and six months ended June 30, 2020

(Unaudited)

(In United States dollars, except where otherwise stated)

1. General information (continued)

On April 28, 2020, Mr. C. Koppel disbursed an amount of \$84,150 on behalf of the Company. That payment was recognized under 'Current liabilities – Due to related parties' in the Company's second quarter 2020 accounts (see Note 6).

During the second quarter of 2020, the Company obtained advances of \$150,000 from a third party against an expected future loan agreement. The funds will be used for working capital and general corporate purposes.

During the first quarter of 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian and United Kingdom governments regarding travel, business operations and isolation/quarantine orders.

At this time, it is unknown the full extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak. While the extent of the impact is unknown, we anticipate this outbreak may cause reduced customer demand, supply chain disruptions, and staff shortages, all of which may negatively impact the Company's business and financial condition.

These unaudited condensed consolidated interim financial statements include the Company's two wholly-owned subsidiaries, MedCann Europe Limited (formerly Samco Gold Services (UK) Ltd.), incorporated in the United Kingdom, and, until the date of its disposition on June 3, 2019, Samco Gold S.A., incorporated in Argentina.

The Company's common shares in the capital of Samco (the "Common Shares") are traded on the TSX Venture Exchange and all filings are publicly available on SEDAR at www.sedar.com.

2. Significant accounting policies and continuation of the business

Statement of compliance

The Company's unaudited condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34, 'Interim Financial Reporting'.

These unaudited condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's December 31, 2019, audited annual consolidated financial statements.

Certain information and disclosures normally required to be included in notes to annual financial statements have been condensed or omitted. These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited annual consolidated financial statements and the notes thereto for the year ended December 31, 2019.

Samco's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2020, were prepared by management, reviewed by the audit committee and approved and authorized for issuance by the Board of Directors of the Company on August 24, 2020.

Basis of preparation

These unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The Company was primarily engaged in the exploration of mainly gold and silver on properties in Argentina and is currently refocusing its business objectives.

Samco Gold Limited

Notes to the condensed consolidated interim financial statements

As at and for the three and six months ended June 30, 2020

(Unaudited)

(In United States dollars, except where otherwise stated)

2. Significant accounting policies and continuation of the business (continued)

Going concern

The Company had a loss and comprehensive loss of \$182,466 for the six months ended June 30, 2020 (2019: \$344,985). As the Company has not yet achieved profitable operations, the Company has, since its inception, accumulated a deficit to June 30, 2020, of \$54,301,060 (December 31, 2019: 54,118,594) and expects to incur further losses in the development of its business.

As at June 30, 2020, the Company had \$52,061 (December 31, 2019: \$7,891) in cash and cash equivalents.

The Company does not currently have revenue-generating activities.

The Company's ability to continue operations in the normal course of business is dependent on several factors including its ability to secure additional funding. Management is exploring all available options to secure additional funding, including equity and loan financing.

The Company's principal business has historically been the acquisition, exploration and development of precious metals properties in Argentina. Following its reorganization and recapitalization, the Company is currently refocusing its business objectives on new lines of business.

There is no assurance that the financing required will be maintained on favorable terms, or at all, or that the Company will succeed in identifying and pursuing new lines of business. Such matters indicate the existence of material uncertainties about the Company's ability to continue as a going concern and cast significant doubt upon the validity of the going concern assumption.

These unaudited condensed consolidated interim financial statements do not include any additional adjustments to the recoverability and classification of certain recorded asset amounts, classification of certain liabilities and changes to the statement of loss and comprehensive loss that might be necessary if the Company was unable to continue as a going concern.

New accounting standards and interpretations applicable for annual periods beginning from January 1, 2019

The following new standards and interpretations were applicable for the period beginning on January 1, 2019:

- IFRS 16 – Leases; and
- IFRIC 23 – Uncertainty over Income Tax Treatments.

The Company adopted IFRS 16 as of January 1, 2019 and thereby applied the modified retrospective approach. Consequently, the cumulative effect, if any, of adopting IFRS 16 was recognised as an adjustment to the opening balance of retained deficit as at January 1, 2019, with no restatement of comparative figures.

IFRS 16 introduces a single, on-balance sheet lease accounting model for leases. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The following practical expedients are permitted by the standard:

- Leases of low-value items; and
- Short-term leases.

The Company's office lease in the United Kingdom expired on May 5, 2018. Therefore, the adoption of IFRS 16 as of January 1, 2019, had no impact on Samco's consolidated financial statements for the year ended December 31, 2019.

IFRIC 23 'Uncertainty over income tax treatments' was issued in June 2017 and was adopted by the Company as of January 1, 2019. The Interpretation clarifies that if it is considered probable that a tax authority will accept an uncertain tax treatment, the tax charge should be calculated on that basis. If it is not considered probable, the effect of the uncertainty should be estimated and reflected in the tax charge. In assessing the uncertainty, it is assumed that the tax authority will have full knowledge of all information related to the matter.

Samco Gold Limited

Notes to the condensed consolidated interim financial statements

As at and for the three and six months ended June 30, 2020

(Unaudited)

(In United States dollars, except where otherwise stated)

2. Significant accounting policies and continuation of the business (continued)

New accounting standards and interpretations applicable for annual periods beginning from 1 January 2019 (continued)

The adoption of IFRIC 23 as of January 1, 2019, had no impact on Samco's consolidated financial statements for the year ended December 31, 2019.

Accounting standards issued but not yet effective

The Company has reviewed the following new and revised accounting pronouncements that have been issued but are not yet effective:

- IFRS 17 – Insurance contracts

IFRS 17, "Insurance contracts" (IFRS 17) was issued by IASB on May 18, 2017. It requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts and is effective for reporting periods starting on or after January 1, 2023. IFRS 17 is not expected to have an impact on the Company's consolidated financial statements.

3. Critical accounting judgments and key sources of estimation uncertainty

Disclosures about critical accounting judgements and key sources of estimation uncertainty have been omitted in these unaudited condensed consolidated interim financial statements, as permitted by IAS 34, 'Interim Financial Reporting'. A description of those critical accounting judgements and key sources of estimation is included in the Company's audited annual consolidated financial statements and the notes thereto for the year ended December 31, 2019.

Samco Gold Limited

Notes to the condensed consolidated interim financial statements

As at and for the three and six months ended June 30, 2020

(Unaudited)

(In United States dollars, except where otherwise stated)

4. Segment information

Operating segments were identified based on internal reporting reviews that are performed by the chief executive officer of the Company. The chief operating decision maker of the Company is Mr. C. Koppel. Two segments were identified based on the operational activities and the reporting structure. The accounting policies of the reportable segments are the same as the Company's accounting policies. The Company operates a corporate business segment as well as, until its disposition on June 3, 2019, a segment for managing exploration rights in Argentina. Assets, liabilities and loss/(income) within each segment are as follows:

	As at June 30, 2020		
	Corporate	Argentina	Total
	\$	\$	\$
Current assets	92,530	-	92,530
Current liabilities	1,319,822	-	1,319,822

	As at December 31, 2019		
	Corporate	Argentina	Total
	\$	\$	\$
Current assets	26,247	-	26,247
Current liabilities	1,071,073	-	1,071,073

	Three months ended June 30, 2020		
	Corporate	Argentina	Total
	\$	\$	\$
Finance and interest expense	15,910	-	15,910
Loss for the period	71,541	-	71,541

	Three months ended June 30, 2019		
	Corporate	Argentina	Total
	\$	\$	\$
Depreciation expense	225	-	225
Finance and interest expense	14,068	(3)	14,065
Deferred tax recovered	(43)	-	(43)
Impairment charge on exploration assets	-	775	775
Loss for the period	37,111	39,352	76,463
Mineral rights and exploration costs	-	774	774

Samco Gold Limited

Notes to the condensed consolidated interim financial statements

As at and for the three and six months ended June 30, 2020

(Unaudited)

(In United States dollars, except where otherwise stated)

4. Segment information (continued)

	Six months ended June 30, 2020		
	Corporate	Argentina	Total
	\$	\$	\$
Finance and interest expense	29,835	-	29,835
Loss for the period	182,466	-	182,466

	Six months ended June 30, 2019		
	Corporate	Argentina	Total
	\$	\$	\$
Depreciation expense	450	-	450
Finance and interest expense	16,089	-	16,089
Deferred tax recovered	(86)	-	(86)
Impairment charge on exploration assets	-	4,642	4,642
Loss for the period	247,404	97,581	344,985
Mineral rights and exploration costs	-	4,641	4,641

5. Administrative expenses

	Three months ended June 30,		Six months ended March 31,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Administration costs	47,497	16,130	102,364	33,948
Travel and subsistence	218	(253)	7,718	47,245
Application fees	6,662	4,794	13,738	19,621
Management, professional and membership fees	(17,670)	(59,838)	8,258	15,109
Salaries	6,366	95,385	30,844	209,711
Depreciation (Note 8)	-	225	-	450
Other administrative expenses	-	36,024	-	36,034
Deconsolidation of Samco Gold S.A.	-	(37,246)	-	(37,246)
	43,073	55,221	162,922	324,872

Salaries incurred for the three and six months ended June 30, 2020, (\$6,366 and \$30,844 respectively) include credits of \$10,429 for United Kingdom governmental grants regarding the Coronavirus Job Retention Scheme that were applied for and received during the second quarter of 2020.

Samco Gold Limited

Notes to the condensed consolidated interim financial statements

As at and for the three and six months ended June 30, 2020

(Unaudited)

(In United States dollars, except where otherwise stated)

6. Related party transactions

The Company's related parties include key management. Key management includes the directors (executive and non-executive) and officers of the Company. Remuneration of key management was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Short-term employee benefits	18,750	85,417	37,500	204,167
Share-based payments	-	-	-	-
	18,750	85,417	37,500	204,167

During 2019 and during the three and six months ended June 30, 2020, the Company participated in the National Employment Savings Trust (NEST), a defined contribution workplace pension scheme in the United Kingdom. No bonuses were awarded during the three and six months ended June 30, 2020.

Mr. Fornazzari, who was the Company's corporate secretary during the reporting periods, is a partner in the Fasken Martineau DuMoulin LLP law firm ("Fasken"), which provided legal services of \$3,289 to the Company for the three months ended March 31, 2020 (2019: \$25,778). The value of services by Fasken incurred for the six months ended June 30, 2020, was \$5,744 (2019: \$49,632). For services provided up to June 30, 2020, \$176,667 (December 31, 2019: \$188,422) was outstanding to Fasken.

On March 22, 2019, the Company announced that it has entered into a six-month convertible loan facility with Mr. C. Koppel. Under the Facility, to be used for working capital and general corporate purposes while the Company explores new business opportunities, the Company may request, and the Lender shall advance to the Company, an aggregate total of up to \$450,000 until September 30, 2019, to be advanced in minimum tranches of \$10,000 at an interest rate of 12% per annum, calculated on the basis of a 365-day year. By early July 2019, the total amount of the Facility of \$450,000 had been advanced to the Company.

Interest was payable on the entire Facility amount for the full term in advance, to be paid either concurrently with the first advance under the Facility, or at any time while any advance under the Facility was outstanding, at the Lender's discretion. Interest was payable in cash or, at the option of the Lender, in common shares in the capital of Samco (the "Common Shares") at a price equal to the five-day volume-weighted average trading price for the Common Shares on the TSX Venture Exchange for the five-trading day period ending on the trading day prior to the day the interest share election had to be made.

The principal amount of the Facility was convertible into Common Shares, initially at a conversion price of CDN\$0.05, translated from United States dollars to Canadian dollars at a rate of not less than CDN\$1.3366 per US\$1.00, being the daily average rate of exchange for United States dollars in terms of Canadian dollars, as promulgated by the Bank of Canada on March 21, 2019. The conversion feature was accounted for as an embedded derivative and was valued throughout the year using the Black Scholes model. On June 19, 2019, the terms of the loan were amended to change the conversion price to CDN\$0.06 which was accounted for as an extinguishment of debt in accordance with IFRS 9.

As of October 1, 2019, the Lender's options to convert the principal amount of the Facility into Common Shares and to have interest for the period up to September 30, 2019, paid in Common Shares had expired.

Samco Gold Limited

Notes to the condensed consolidated interim financial statements

As at and for the three and six months ended June 30, 2020

(Unaudited)

(In United States dollars, except where otherwise stated)

6. Related party transactions (continued)

Upon maturity of the Facility on September 30, 2019, the Company agreed with the Lender to amend the maturity date of the fully drawn loan of \$450,000 from September 30, 2019, to March 31, 2020, without an option to convert the principal amount of the Facility into Common Shares. The Facility continues to bear interest at a rate of 12% per annum, calculated on the basis of a 365-day year. The amendment was accounted for as an extinguishment of debt in accordance with IFRS 9. Interest for the period from October 1, 2019, is payable in cash only and on the entire Facility amount for the full term in advance, to be paid at any time while any advance under the Facility is outstanding, at the Lender's discretion. The Facility is now due.

The following table summarizes the range of inputs used by the Company in calculating the embedded derivative regarding the conversion option using the Black-Scholes option pricing model:

Fair value (CDN\$)	0.04-0.06
Expected dividend yield	-
Annualized volatility	67.39% - 128.39%
Risk free rate	1.45% - 1.56%
Expected life (years)	0.22-0.53

On April 28, 2020, Mr. C. Koppel disbursed an amount of \$84,150 on behalf of the Company. That payment was recognized under 'Current liabilities – Due to related parties' in the Company's second quarter 2020 accounts.

The related party transactions are conducted in the normal course of business operations and were measured at the exchange amount, which is the amount agreed to by the related parties.

7. Income taxes

The following table summarizes the movement in the deferred tax liability for the three and six months ended June 30, 2020:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Deferred tax liability at the beginning of the period	-	95	-	138
Deferred tax recovery	-	(43)	-	(86)
Deferred tax liability at the end of the period	-	52	-	52

Deferred taxes were provided as a result of temporary differences that arose due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized. As at June 30, 2020, the Company has \$599,009 unrecognized non-capital losses in the United Kingdom.

Samco Gold Limited

Notes to the condensed consolidated interim financial statements

As at and for the three and six months ended June 30, 2020

(Unaudited)

(In United States dollars, except where otherwise stated)

8. Plant and equipment

	Fixtures and fittings	Computer and office equipment	Total
	\$	\$	\$
Cost			
As at January 1, 2019	86,670	33,909	120,579
Disposals	-	(3,977)	(3,977)
As at December 31, 2019, and as at June 30, 2020	86,670	29,932	116,602
Accumulated depreciation			
As at January 1, 2019	(86,670)	(33,183)	(119,853)
Depreciation	-	(726)	(726)
Disposals	-	3,977	3,977
As at December 31, 2019, and as at June 30, 2020	(86,670)	(29,932)	(116,602)
Carrying amount			
As at January 1, 2019	-	726	726
As at December 31, 2019, and as at June 30, 2020	-	-	-

9. Mineral rights and exploration assets

	Exploration properties
	\$
Balance as at January 1, 2019	1
Exploration costs incurred:	
Field costs	630
Surface rights	3,401
Professional fees	610
	4,641
Impairment of exploration properties	(4,642)
Balance as at December 31, 2019, and as at June 30, 2020	-

In June 2019, the Company completed the disposition of the common shares of its Argentinian subsidiary, Samco Gold S.A., for a consideration consisting of the granting of a 2% net smelter return royalty from production on the prevailing properties, and a 10% participation interest on the gross sale price of either Samco Gold S.A. or any of its concessions to a third party. Samco valued the consideration at \$Nil which resulted in a gain on sale of Samco Gold S.A. of \$205,936 in the Company's consolidated statements of loss and comprehensive loss for the year ended December 31, 2019.

As at December 31, 2018, and subsequently also during 2019, the Company's exploration assets had indicators of impairment. Based on the information available, management impaired the assets to \$1 on December 31, 2018, and, during the second quarter of 2019, prior to their deconsolidation, to \$Nil.

During the 2019 fiscal year, the Company received payment of \$200,000 related to cost reimbursements.

Samco Gold Limited

Notes to the condensed consolidated interim financial statements As at and for the three and six months ended June 30, 2020

(Unaudited)

(In United States dollars, except where otherwise stated)

10. Share capital, warrants and share options

a) Share capital

	Six months ended		Year ended	
	June 30, 2020		December 31, 2019	
Common shares	Shares	Amount	Shares	Amount
		\$		\$
Balance, beginning of period	82,657,687	33,599,498	82,657,687	33,599,498
Shares issued (Note 6)	-	-	-	-
Balance, end of period	82,657,687	33,599,498	82,657,687	33,599,498

b) Warrants

The warrants expired during the year ended December 31, 2013, and had a fair value of \$900,802 on the date they were granted.

c) Share options

The Company has in place a stock option plan (the "Option Plan"), which, under the policies of the TSX Venture Exchange, requires re-approval at each annual meeting of shareholders of the Company.

The Option Plan is a "rolling" stock option plan, pursuant to which the number of common shares that may be issued upon exercise of options may not exceed 10% of the issued and outstanding common shares on a non-diluted basis at any time and such aggregate number of common shares automatically increases or decreases as the number of issued and outstanding common shares of the Company changes.

The Option Plan was established to promote the profitability and growth of the Company, facilitating the efforts of the Company to obtain and retain key individuals by encouraging their ownership of the Company's shares so that they benefit from increases in the value of the Company's shares. If the Option Plan is not approved by the shareholders at the annual meeting, the Company will not be able to grant any further options under the Option Plan and the Company will have to consider other methods of compensation, such as increased cash compensation.

The following tables summarize information about share options outstanding as at June 30, 2020:

Number outstanding	Number vested and exercisable	Exercise price (CDN\$)	Expiry date	Remaining contractual life (years)
3,973,925	3,973,925	0.10	January 30, 2023	2.59
3,973,925	3,973,925			2.59

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(Unaudited)

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10. Share capital, warrants and share options (continued)

c) Share options (continued)

	Note	Number	Weighted average exercise price (CDN\$)
Balance as at January 1, 2019		4,173,925	0.10
Expired on June 3, 2019	(i)	(200,000)	0.17
Balance as at December 31, 2019, and as at June 30, 2020	(ii)	3,973,925	0.10

- (i) 200,000 share options granted on June 3, 2014, with an exercise price of CDN\$0.17 expired in June 2019.
- (ii) 3,973,925 share options were granted on January 30, 2018, and vested on April 30, 2018, with an exercise price of CDN\$0.10 and an expiry date of January 30, 2023.

The following table summarizes the range of inputs used by the Company in calculating the share-based payment expense using the Black-Scholes option pricing model:

	January 30, 2018
Share price (CDN\$)	0.02
Expected dividend yield	-
Expected volatility	77%
Risk free rate	2.08%
Expected life (years)	5.0
Fair value per option (CDN\$)	0.006

d) Share-based payment reserve

During the three and six months ended June 30, 2020, the Company expensed \$Nil (2019: \$Nil) in relation to the fair value of the options granted as per Note 10(c) above.

e) Loss per share

The calculation of basic and diluted loss per share is based on the net loss of \$71,541 for the three months ended June 30, 2020 (2019: \$76,463) and using the total weighted average number of common shares of 82,657,687 outstanding during the three months ended June 30, 2020 and 2019, respectively.

The calculation of basic and diluted loss per share is based on the net loss of \$182,466 for the six months ended June 30, 2020 (2019: \$344,985) and using the total weighted average number of common shares of 82,657,687 outstanding during the six months ended June 30, 2020 and 2019, respectively.

Effect on diluted earnings per share

The share options have an anti-dilutive effect on the diluted loss per share disclosed in the unaudited condensed consolidated interim statements of loss and comprehensive loss for the three and six months ended June, 2020 and 2019, and were therefore not included in the diluted loss per share calculation for the periods.

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As at and for the three and six months ended June 30, 2020

(Unaudited)

(In United States dollars, except where otherwise stated)

11. Capital redemption reserve

The capital redemption reserve of \$12,517,683 arose from the shares in Samco Gold Limited which were returned to the Company in exchange for the shares of 5R S.A. in November 2017. The amount in the reserve is made up of the nominal value of the shares returned, net of their market value.

12. Other capital contributions

Other capital contributions of \$1,031,503 comprise:

\$281,503 relating to shares that were issued to controlling shareholders at fair value during the year 2018, and the total value of the shares, less any share issue costs, were less than the debts owed; and

\$750,000 relating to sales of the Royalties to controlling shareholders in 2018 in exchange for those shareholders agreeing to waive a debt due to them, and the amount of the debt waived was more than the carrying value of the asset.

13. Financial instruments and risk management

a) Capital risk management

The Company's objectives in managing its capital are to ensure the Company's ability to continue as a going concern and to maintain a flexible capital structure of equity and debt financing to optimize the costs of capital with minimal risks. The Company considers the items included in shareholders' equity to be capital. The Board of Directors monitors the Company's capital position on a regular basis (see more details under 'Going concern' in Note 2).

The Company is sensitive to changes in foreign exchange rates.

b) Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

Samco Gold Limited

Notes to the condensed consolidated interim financial statements

As at and for the three and six months ended June 30, 2020

(Unaudited)

(In United States dollars, except where otherwise stated)

13. Financial instruments and risk management (continued)

b) Liquidity risk management (continued)

The following table has been prepared based on the undiscounted cash flow of financial liabilities based on the earliest date on which the Company could be required to pay. The Company continues to pursue future financing options.

As at June 30, 2020					
	< 1 month	1-3 months	3 months to 1 year	> 1 year	Total
	\$	\$	\$	\$	\$
Due to related parties	969,223	-	-	-	969,223
Accounts payable and accrued liabilities	350,599	-	-	-	350,599
	1,319,822	-	-	-	1,319,822

As at December 31, 2019					
	< 1 month	1-3 months	3 months to 1 year	> 1 year	Total
	\$	\$	\$	\$	\$
Due to related parties	380,586	450,000	-	-	830,586
Accounts payable and accrued liabilities	240,487	-	-	-	240,487
	621,073	450,000	-	-	1,071,073

c) Foreign currency risk management

The Company undertakes transactions denominated in foreign currencies, and consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed by maintaining low levels of foreign currencies and related obligations that are perceived to be volatile. The carrying amount of the Company's foreign currency denominated monetary assets and liabilities at the end of the reporting period, in United States dollars is:

	As at June 30, 2020		As at December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
	\$	\$	\$	\$
United Kingdom sterling	3,092	73,112	583	91,415
Euros	-	11,570	-	78,081
Canadian dollars	2,348	231,289	316	260,563
	5,440	315,971	899	430,059

Based on the June 30, 2020, balances and applying a movement in the exchange rate of 5%, had United States dollar strengthened (weakened) against the United Kingdom pound sterling, the Company's equity would have been \$3,501 higher (lower). Had the United States dollar strengthened (weakened) against the Euro, the Company's equity would have been \$579 higher (lower). Had the United States dollar strengthened (weakened) against the Canadian dollar, the Company's equity would have been \$11,447 higher (lower). The Company's cash is predominantly held in United States dollars other as needed in the ordinary course of business.

Samco Gold Limited

Notes to the condensed consolidated interim financial statements

As at and for the three and six months ended June 30, 2020

(Unaudited)

(In United States dollars, except where otherwise stated)

13. Financial instruments and risk management (continued)

d) Credit risk management

The Company's main credit risk arises from its cash deposit with banks, of which there is \$52,061 deposited as at June 30, 2020 (December 31, 2019: \$7,891). The Company limits its counterparty credit risk on its deposits by dealing only with financial institutions with high credit ratings.

e) Fair value hierarchy

The Company applies a three-tier hierarchy to classify the determination of fair value measurements for disclosure purposes. Inputs refer broadly to the data and assumptions that market participants would use in pricing the investment. Observable inputs are inputs that are based on market data from independent sources. Unobservable inputs are inputs that reflect the Company's own assumptions about the assumptions market participants would use in pricing an investment based on the best information available in the circumstances. The three-tier hierarchy of inputs is as follows:

Level 1 - quoted prices in active markets for identical investments.

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the investment, either directly (as prices) or indirectly (derived from prices).

Level 3 - inputs for the investment that are not based on observable market data (unobservable inputs).

The Company currently has cash at Level 1.

f) Categories of financial instruments

Carrying amount	IFRS 9	As at June 30, 2020	As at December 31, 2019
		\$	\$
Financial assets			
Cash	FVTPL	52,061	7,891
Financial liabilities			
Accounts payable and accrued liabilities	amortised cost	350,599	240,487
Due to related parties	amortised cost	969,223	830,586

Cash in the statement of financial position comprises cash at banks. There were no cash equivalents as at June 30, 2020, and December 31, 2019 respectively. The carrying value of cash and receivables approximates their fair values due to the short-term nature. The accounts payable and accrued liabilities as well as the amounts due to related parties have remaining terms of less than one year. The carrying values of the other liabilities approximate their fair values due to their short-term nature.

14. Subsequent events

The liability of \$450,000 from a loan granted by a related party (see Note 6) is now due.