



**CANAGOLD RESOURCES LTD.**

**(formerly, Canarc Resource Corp.)**

**Consolidated Financial Statements**

**(expressed in United States dollars)**

**Years ended December 31, 2020, 2019 and 2018**



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

### TO THE SHAREHOLDERS AND DIRECTORS OF CANAGOLD RESOURCES LTD. (formerly Canarc Resource Corp.)

#### ***Opinion on the Consolidated Financial Statements***

We have audited the accompanying consolidated statements of financial position of Canagold Resources Ltd. (formerly Canarc Resource Corp.) (the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of comprehensive loss, changes in shareholders' equity, and cash flows for the years ended December 31, 2020, 2019 and 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years ended December 31, 2020, 2019 and 2018, in conformity with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

#### ***Material Uncertainty Related to Going Concern***

Without modifying our opinion, we draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has an accumulated deficit of \$49.26 million as at December 31, 2020. As stated in Note 1 to the consolidated financial statements, this condition, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that casts substantial doubt on the Company's ability to continue as a going concern.

#### ***Basis for Opinion***

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Vancouver**  
1700 – 475 Howe St  
Vancouver, BC V6C 2B3  
T: 604 687 1231  
F: 604 688 4675

**Langley**  
305 – 9440 202 St  
Langley, BC V1M 4A6  
T: 604 282 3600  
F: 604 357 1376

**Nanaimo**  
201 – 1825 Bowen Rd  
Nanaimo, BC V9S 1H1  
T: 250 755 2111  
F: 250 984 0886

## **Critical Audit Matters**

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

## **Impairment of Mineral Property Interests**

As discussed in Note 8 to the consolidated financial statements, the mineral property interest balance as at December 31, 2020 was \$15.82 million, consisting of capitalized acquisition costs and deferred exploration costs on the Company's properties in Canada and the United States of America. An impairment loss is recognized if the carrying amount of an asset or its cash generating unit ("CGU") exceeds its estimated recoverable amount. During the year ended December 31, 2020, management assessed the Company's mineral property interests for indicators of impairment and determined that the Hard Cash and Nigel properties, both located in Canada, had indicators of impairment. Based on a recoverable value assessment, the Company recorded a write-off of the Hard Cash and Nigel properties of \$0.88 million during the year ended December 31, 2020.

We identified the assessment of the recoverability of mineral property interests as a critical audit matter. There is a high degree of judgment required to determine whether indicators of impairment exist on the Company's mineral property interests. Judgment is also required to determine the recoverable value of mineral property interests where indicators of impairment exist.

The following are the primary procedures we performed to address this critical audit matter. We Understood management's assessment of indicators of impairment for each CGU, as outlined in Note 2(e). We tested the effectiveness of key controls associated with mineral property interests. We assessed the Company's right to perform exploration activities on its mineral property interests. We evaluated the Company's ability and intention of exploration activity on its mineral property interests. We assessed the completeness of internal and external factors that may be considered indicators of impairment and compared them to Management's assessment of indicators of impairment. When impairment indicators existed, a recoverable value assessment was performed by management that we reviewed for reasonableness.

*Smythe LLP*

Chartered Professional Accountants

We have served as the Company's auditor since 2008.

Vancouver, Canada  
March 30, 2021

**Vancouver**  
1700 – 475 Howe St  
Vancouver, BC V6C 2B3  
T: 604 687 1231  
F: 604 688 4675

**Langley**  
305 – 9440 202 St  
Langley, BC V1M 4A6  
T: 604 282 3600  
F: 604 357 1376

**Nanaimo**  
201 – 1825 Bowen Rd  
Nanaimo, BC V9S 1H1  
T: 250 755 2111  
F: 250 984 0886

# CANAGOLD RESOURCES LTD.

(formerly, Canarc Resource Corp.)

Consolidated Statements of Financial Position

(expressed in thousands of United States dollars)

		December 31,	
	Notes	2020	2019
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash		\$ 6,117	\$ 1,923
Marketable securities	7	1,323	104
Receivables and prepaids	13	297	76
Total Current Assets		7,737	2,103
<b>NON-CURRENT ASSETS</b>			
Mineral property interests	8	15,820	16,083
Equipment	9	83	128
Total Non-Current Assets		15,903	16,211
Total Assets		\$ 23,640	\$ 18,314
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities	13	\$ 324	\$ 151
Flow through premium liability	10(a)	-	9
Deferred royalty liability, current	10(b)	35	35
Lease liability, current	10(c)	31	36
Total Current Liabilities		390	231
<b>LONG TERM LIABILITIES</b>			
Deferred royalty liability, long term	10(b)	116	123
Lease liability, long term	10(c)	20	39
Total Long Term Liabilities		136	162
Total Liabilities		526	393
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	11(b)	73,595	67,287
Reserve for share-based payments		821	709
Accumulated other comprehensive loss		(2,044)	(2,497)
Deficit		(49,258)	(47,578)
Total Shareholders' Equity		23,114	17,921
Total Liabilities and Shareholders' Equity		\$ 23,640	\$ 18,314

Refer to the accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

/s/ *Bradford Cooke*

Director

/s/ *Martin Burian*

Director

# CANAGOLD RESOURCES LTD.

(formerly, Canarc Resource Corp.)

Consolidated Statements of Comprehensive Loss

(expressed in thousands of United States dollars, except per share amounts)

	Notes	Years ended December 31,		
		2020	2019	2018
<b>Expenses:</b>				
Amortization	9	\$ 48	\$ 48	\$ 24
Corporate development	12 and 13	63	31	49
Employee and director remuneration	13	559	462	590
General and administrative	12 and 13	228	175	223
Shareholder relations		514	116	52
Share-based payments	11(c) and 13	170	120	118
<b>Loss before the undernoted</b>		<b>(1,582)</b>	<b>(952)</b>	<b>(1,056)</b>
Interest and other income		11	35	44
Change in fair value of marketable securities	7	760	(131)	(140)
Flow through financing costs	10(a)	(8)	-	(4)
Interest and finance charges	10(c) and (d)	(39)	(44)	(30)
Foreign exchange gain (loss)		17	41	(156)
Recovery of promissory note receivable	6	-	-	152
(Write-off) recovery of mineral property interest	a)(iii), b(iii) and b(i)	(876)	5	12
Write off of equipment	9	-	-	(1)
<b>Net loss before income tax</b>		<b>(1,717)</b>	<b>(1,046)</b>	<b>(1,179)</b>
Income tax recovery	10(a)	9	3	54
<b>Net loss for the year</b>		<b>(1,708)</b>	<b>(1,043)</b>	<b>(1,125)</b>
Other comprehensive income (loss):				
Foreign currency translation adjustment		453	756	(1,258)
<b>Comprehensive loss for the year</b>		<b>\$ (1,255)</b>	<b>\$ (287)</b>	<b>\$ (2,383)</b>
<b>Basic and diluted loss per share</b>		<b>\$ (0.03)</b>	<b>\$ (0.02)</b>	<b>\$ (0.03)</b>
<b>Weighted average number of common shares outstanding</b>		<b>52,298,078</b>	<b>45,775,307</b>	<b>43,692,071</b>

Refer to the accompanying notes to the consolidated financial statements.

# CANAGOLD RESOURCES LTD.

(formerly, Canarc Resource Corp.)

Consolidated Statements of Changes in Shareholders' Equity

(expressed in thousands of United States dollars)

	Share Capital		Reserve for Share-Based Payments	Accumulated Other Comprehensive Income (Loss)		Deficit	Total
	Number of Shares	Amount					
Balance, December 31, 2017	43,755,765	\$ 66,328	\$ 1,101	\$ (1,995)	\$ (46,054)	\$	19,380
Common share buy-back under normal course issuer bid (Note 11(b))	(104,800)	(21)	-	-	-	-	(21)
Property acquisition (Note 11(b)(iii))	20,000	4	-	-	-	-	4
Share issue expenses	-	(6)	-	-	-	-	(6)
Share-based payments	-	-	118	-	-	-	118
Cancellation and expiration of stock options	-	-	(407)	-	-	407	-
Expiration of finders fee warrants	-	-	(70)	-	-	70	-
Other comprehensive income (loss):							
Foreign currency translation adjustment	-	-	(8)	(1,258)	-	-	(1,266)
Net loss for the year	-	-	-	-	(1,125)	-	(1,125)
Balance, December 31, 2018	43,670,965	66,305	734	(3,253)	(46,702)		17,084
Impact of adopting IFRS 16	-	-	-	-	(10)		(10)
Balance, January 1, 2019	43,670,965	66,305	734	(3,253)	(46,712)		17,074
Private placement, net of share issue costs	4,745,971	1,084	-	-	-	-	1,084
Property acquisition (Note 11(b)(ii))	115,000	23	-	-	-	-	23
Share issue expenses	-	(93)	-	-	-	-	(93)
Finders fee warrants	-	(32)	32	-	-	-	-
Share-based payments	-	-	120	-	-	-	120
Cancellation and expiration of stock options	-	-	(155)	-	-	155	-
Expiration of finders fee warrants	-	-	(22)	-	-	22	-
Other comprehensive income (loss):							
Foreign currency translation adjustment	-	-	-	756	-	-	756
Net loss for the year	-	-	-	-	(1,043)	-	(1,043)
Balance, December 31, 2019	48,531,936	\$ 67,287	\$ 709	\$ (2,497)	\$ (47,578)	\$	17,921
Private placement	21,000,000	6,373	-	-	-	-	6,373
Exercise of stock options	576,000	236	(98)	-	-	-	138
Exercise of share appreciation rights	143,303	59	(49)	-	(10)	-	-
Share issue expenses	-	(233)	-	-	-	-	(233)
Finders fee warrants	-	(127)	127	-	-	-	-
Share-based payments	-	-	170	-	-	-	170
Cancellation and expiration of stock options	-	-	(38)	-	-	38	-
Other comprehensive income (loss):							
Foreign currency translation adjustment	-	-	-	453	-	-	453
Net loss for the year	-	-	-	-	(1,708)	-	(1,708)
Balance, December 31, 2020	70,251,239	\$ 73,595	\$ 821	\$ (2,044)	\$ (49,258)	\$	23,114

Refer to the accompanying notes to the consolidated financial statements.

# CANAGOLD RESOURCES LTD.

(formerly, Canarc Resource Corp.)

Consolidated Statements of Cash Flows

(expressed in thousands of United States dollars)

	Notes	Years ended December 31,		
		2020	2019	2018
<b>Cash provided from (used by):</b>				
<b>Operations:</b>				
Net loss for the year		\$ (1,708)	\$ (1,043)	\$ (1,125)
Items not involving cash:				
Accrued interest		24	44	30
Amortization		48	48	24
Change in fair value of marketable securities		(760)	131	140
Flow through financing costs		-	-	4
Income tax recovery		(9)	(3)	(54)
Recovery of promissory notes receivable		-	-	(152)
Share-based payments		170	120	118
Write-off of mineral property interests		876	(5)	-
Write-off of equipment		-	-	1
		(1,359)	(708)	(1,014)
Changes in non-cash working capital items:				
Receivables and prepaids		(221)	11	5
Accounts payable and accrued liabilities		173	(116)	88
Net cash used by operating activities		(1,407)	(813)	(921)
<b>Financing:</b>				
Issuance of common shares, net of share issuance costs		6,140	1,008	-
Exercise of stock options		138	-	-
Lease payments		(35)	(36)	-
Share buyback under normal course issuer bid		-	-	(27)
Net cash provided from (used by) financing activities		6,243	972	(27)
<b>Investing:</b>				
Mineral property interests, net of recoveries		(793)	(1,153)	(829)
Deferred royalty payment	10(b)	-	(35)	(35)
Acquisition of marketable securities	7	-	-	(289)
Proceeds from disposition of marketable securities	7	296	518	154
Proceeds from promissory note receivable	6	-	59	94
Expenditures for equipment	9	(4)	(8)	(6)
Net cash used by investing activities		(501)	(619)	(911)
<b>Unrealized foreign exchange gain (loss) on cash</b>		<b>(141)</b>	<b>54</b>	<b>(116)</b>
<b>Increase (decrease) in cash</b>		<b>4,194</b>	<b>(406)</b>	<b>(1,975)</b>
Cash, beginning of year		1,923	2,329	4,304
<b>Cash, end of year</b>		<b>\$ 6,117</b>	<b>\$ 1,923</b>	<b>\$ 2,329</b>

Refer to the accompanying notes to the consolidated financial statements.

# CANAGOLD RESOURCES LTD.

(formerly, Canarc Resource Corp.)

Consolidated Statements of Cash Flows

(expressed in thousands of United States dollars)

	Notes	Years ended December 31,		
		2020	2019	2018
<b>Non-cash financing and investing activities:</b>				
Initial recognition from change in accounting policy for lease:				
Right of use asset		\$ -	\$ 112	\$ -
Amortization of leased asset		-	34	-
Lease liability		-	90	-
Fair value of marketable securities received from option on mineral property interests		<b>691</b>	-	-
Fair value of common shares issued for:				
Mineral property interests	11(a)(ii) and (iii)	-	23	4
Fair value allocated to common shares issued on exercise of:				
Stock options		<b>98</b>	-	-
Share appreciation rights	11(b)(i)	<b>49</b>	-	-
Fair value of finders fee warrants from:				
Issuance of finders fee warrants	11(b)(i) and (ii)	<b>127</b>	32	-
Expiration of:				
Stock options		<b>38</b>	155	407
Finders fee warrants		-	22	70
Share issuance costs included in Accounts Payable		-	5	-
<b>Income taxes paid</b>		-	-	-
<b>Interest received</b>		-	-	-
<b>Interest paid</b>		<b>26</b>	17	-

Refer to the accompanying notes to the consolidated financial statements.



# CANAGOLD RESOURCES LTD.

(formerly, Canarc Resource Corp.)

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2020, 2019 and 2018

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

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## 1. Nature of Operations and Going Concern

Canagold Resources Ltd. (formerly, Canarc Resource Corp.) (the “Company”), a company incorporated under the laws of British Columbia on January 22, 1987, is in the mineral exploration business and has not yet determined whether its mineral property interests contain reserves. The recoverability of amounts capitalized for mineral property interests is dependent upon the existence of reserves in its mineral property interests, the ability of the Company to arrange appropriate financing and receive necessary permitting for the exploration and development of its mineral property interests, and upon future profitable production or proceeds from the disposition thereof. The address of the Company’s registered office is #910 – 800 West Pender Street, Vancouver, BC, Canada, V6C 2V6 and its principal place of business is #810 – 625 Howe Street, Vancouver, BC, Canada, V6C 2T6.

Effective December 8, 2020, the Company changed its name from Canarc Resource Corp. to Canagold Resources Ltd. and consolidated its share capital on the basis of five pre consolidation common shares for one post share consolidation share. All share references presented in these consolidated financial statements have been retroactively adjusted to reflect the share consolidation.

The Company has no operating revenues, has incurred a significant net loss of \$1.7 million in 2020 (2019 - \$1.0 million and 2018 - \$1.1 million) and has a deficit of \$49.3 million as at December 31, 2020 (2019 – \$47.6 million and 2018 - \$46.7 million). In addition, the Company has negative cash flows from operations. These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and repayment of liabilities in the normal course of business. The Company’s ability to continue as a going concern is dependent on the ability of the Company to raise debt or equity financings, and the attainment of profitable operations. Management continues to find opportunities to raise the necessary capital to meet its planned business objectives and continues to seek financing opportunities. There can be no assurance that management’s plans will be successful. These matters indicate the existence of material uncertainties that cast substantial doubt about the Company’s ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern, and such adjustments could be material.

## 2. Basis of Presentation

### (a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

### (b) Approval of consolidated financial statements:

These consolidated financial statements were approved by the Company’s Board of Directors on March 30, 2021.

# CANAGOLD RESOURCES LTD.

(formerly, Canarc Resource Corp.)

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2020, 2019 and 2018

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

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## 2. Basis of Presentation (continued)

### (c) Basis of presentation:

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value, as disclosed in Note 5. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### (d) Functional currency and presentation currency:

The functional currency of the Company and its subsidiaries is the Canadian dollar, and accounts denominated in currencies other than the Canadian dollar have been translated as follows:

- Monetary assets and liabilities at the exchange rate at the consolidated statement of financial position date;
- Non-monetary assets and liabilities at the historical exchange rates, unless such items are carried at fair value, in which case they are translated at the date when the fair value was determined;
- Shareholders' equity items at historical exchange rates; and
- Revenue and expense items at the rate of exchange on the transaction date.

The Company's presentation currency is the United States dollar. For presentation purposes, all amounts are translated from the Canadian dollar functional currency to the United States dollar presentation currency for each period. Statement of financial position accounts, with the exception of equity, are translated using the exchange rate at the end of each reporting period, transactions on the statement of comprehensive loss are recorded at the average rate of exchange during the period, and equity accounts are translated using historical actual exchange rates.

Exchange gains and losses arising from translation to the Company's presentation currency are recorded as cumulative translation adjustment, which is included in accumulated other comprehensive loss.

### (e) Critical accounting estimates and judgements:

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements along with the reported amounts of revenues and expenses during the period. Actual results may differ from these estimates and, as such, estimates and judgements and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management estimates relate to determining the recoverability of mineral property interests and receivables; valuation of certain marketable securities; the determination of accrued liabilities; accrued site remediation; amount of flow-through obligations; fair value of deferred royalty liability and lease liability; recognition of deferred income tax liability; the variables used in the determination of the fair value of stock options granted and finder's fees warrants issued or modified; and the recoverability of deferred tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

# CANAGOLD RESOURCES LTD.

(formerly, Canarc Resource Corp.)

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2020, 2019 and 2018

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

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## 2. Basis of Presentation (continued)

### (e) Critical accounting estimates and judgements: (continued)

The Company applies judgement in assessing the functional currency of each entity consolidated in these consolidated financial statements. The functional currency of the Company and its subsidiaries is determined using the currency of the primary economic environment in which that entity operates.

For right of use assets and lease liability, the Company applies judgement in determining whether the contract contains an identified asset, whether they have the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative, that can create an economic incentive to exercise renewal options. Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

The Company applies judgement in assessing whether material uncertainties exist that would cast substantial doubt as to whether the Company could continue as a going concern.

At the end of each reporting period, the Company assesses each of its mineral resource properties to determine whether any indication of impairment exists. Judgement is required in determining whether indicators of impairment exist, including factors such as: the period for which the Company has the right to explore; expected renewals of exploration rights; whether substantive expenditures on further exploration and evaluation of resource properties are budgeted or planned; and results of exploration and evaluation activities on the exploration and evaluation assets.

### (f) New accounting standards and recent pronouncements:

The standards listed below include only those which the Company reasonably expects may be applicable to the Company in the current period and at a future date. The impact is not expected to have a material impact on these consolidated financial statements.

# CANAGOLD RESOURCES LTD.

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Notes to the Consolidated Financial Statements

For the Years ended December 31, 2020, 2019 and 2018

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

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## 2. Basis of Presentation (continued)

### (f) New accounting standards and recent pronouncements: (continued)

#### (i) Reference to the Conceptual Framework (Amendments to IFRS 3):

IFRS 3 Business Combinations has been revised to incorporate amendments issued by the International Accounting Standards Board (IASB) in May 2020. The amendments update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for a business combination.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted if an entity also applies Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018, at the same time or earlier.

#### (ii) Property, Plant and Equipment—Proceeds before Intended Use (Amendments to IAS 16):

IAS 16 Property, Plant and Equipment has been revised to incorporate amendments issued by the IASB in May 2020. The amendments prohibit an entity from deducting from the cost of property, plant and equipment the proceeds from selling items produced before the asset is available for use. Instead, an entity will recognize such sales proceeds and related cost in profit or loss.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

#### (iii) Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37):

IAS 37 Provisions, Contingent Liabilities and Contingent Assets has been revised to incorporate amendments issued by the IASB in May 2020. The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

# CANAGOLD RESOURCES LTD.

(formerly, Canarc Resource Corp.)

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2020, 2019 and 2018

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

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## 2. Basis of Presentation (continued)

### (f) New accounting standards and recent pronouncements: (continued)

#### (iv) Annual Improvements to IFRS Standards 2018-2020:

The following standards have been revised to incorporate amendments issued by the IASB in May 2020:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.
- IFRS 9 Financial Instruments – The amendment clarifies the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- IAS 41 Agriculture – The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

#### (v) Classification of Liabilities as Current or Non-current (Amendments to IAS 1):

IAS 1 Presentation of Financial Statements has been revised to incorporate amendments issued by the International Accounting Standards Board (IASB) in January 2020.

The amendments clarify the criterion for classifying a liability as non-current relating to the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

#### (vi) IFRS 17 Insurance Contracts:

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The new standard applies to insurance contracts an entity issues and reinsurance contracts it holds.

The main features of the new standard are as follows:

- An entity divides insurance contracts into groups that it will recognize and measure.
- Groups of insurance contracts are recognized and measured at:
  - a risk-adjusted present value of estimated future cash flows (the fulfillment cash flows); and
  - an amount representing the unearned profit in the group of contracts (the contractual service margin).

# CANAGOLD RESOURCES LTD.

(formerly, Canarc Resource Corp.)

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2020, 2019 and 2018

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

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## 2. Basis of Presentation (continued)

### (f) New accounting standards and recent pronouncements: (continued)

#### (vi) IFRS 17 Insurance Contracts: (continued)

- An entity can choose to apply a simplified measurement approach (the premium allocation approach) when certain criteria are met.
- The profit from a group of insurance contracts is recognized over the period the entity provides insurance coverage and as it is released from risk. If a group of contracts is or becomes loss-making, the loss is recognized in profit or loss immediately.
- An entity presents separately insurance revenue and insurance service expenses, and insurance finance income or expenses.
- An entity discloses qualitative and quantitative information about the amounts recognized in its financial statements from insurance contracts, significant judgments and changes in judgments made in applying IFRS 17, and the nature and extent of the risks that arise from insurance contracts.

The new standard supersedes the requirements in IFRS 4 Insurance Contracts.

The new standard is effective for annual periods beginning on or after January 1, 2021, with earlier application permitted for entities that also apply IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

#### (vii) IFRIC 23 Uncertainty over Income Tax Treatments:

This new Interpretation, issued by the International Accounting Standards Board (IASB) in June 2017, clarifies how to apply the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments.

The main features of IFRIC 23 are as follows:

- An entity considers an uncertain tax treatment separately or together with other uncertain tax treatments depending on which approach better predicts the resolution of the uncertainty.
- Taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates are determined based on whether it is probable that a taxation authority will accept an uncertain tax treatment.
- An entity reassesses judgments or estimates relating to uncertain tax treatments when facts and circumstances change.

The new standard is effective for annual periods beginning on or after January 1, 2021.

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## 3. Significant Accounting Policies

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

### (a) Basis of consolidation:

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries including New Polaris Gold Mines Ltd. and American Innovative Minerals LLC (“AIM”). The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. All significant intercompany transactions and balances are eliminated on consolidation.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

### (b) Financial instruments:

#### (i) Financial assets:

##### Initial recognition and measurement

A financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at amortized cost or fair value through profit or loss. A financial asset is measured at amortized cost if it meets the conditions that: (i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and (iii) is not designated as fair value through profit or loss.

##### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

##### *Financial assets at fair value through profit or loss*

Financial assets measured at fair value through profit and loss are carried in the consolidated statements of financial position at fair value with changes in fair value therein, recognized in the consolidated statements of operations and comprehensive loss.

##### *Financial assets measured at amortized cost*

A financial asset is subsequently measured at amortized cost, using the effective interest method.

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## 3. Significant Accounting Policies (continued)

### (b) Financial instruments: (continued)

#### (ii) Derecognition:

A financial asset or, where applicable a part of a financial asset or part of a group of similar financial assets is derecognized when:

- the contractual rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either: (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

#### (iii) Financial liabilities:

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

#### (iv) Fair value hierarchy

The Company categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate fair values. The fair value of financial assets and financial liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Financial assets and liabilities in Level 2 are valued using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data.

### (c) Impairment of non-financial assets:

The carrying amounts of non-current assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount and is recorded as an expense in profit or loss.



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## 3. Significant Accounting Policies (continued)

### (c) Impairment of non-financial assets: (continued)

The recoverable amount is the higher of an asset's "fair value less costs to sell" for the asset's highest and best use, and "value-in-use". Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which the asset belongs is determined. "Fair value less costs to sell" is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date less incremental costs directly attributable to disposal of the asset, excluding financing costs and income tax expenses. For mining assets this would generally be determined based on the present value of the estimated future cash flows arising from the continued development, use or eventual disposal of the asset. In assessing these cash flows and discounting them to the present value, assumptions used are those that an independent market participant would consider appropriate. In assessing "value-in-use", the estimated future cash flows expected to arise from the continuing use of the assets in their present form and from their disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

For the purposes of impairment testing, mineral property interests are allocated to cash-generating units to which the exploration or development activity relates. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

### (d) Mineral property interests:

All costs related to investments in mineral property interests are capitalized on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. The costs related to a mineral property from which there is production, together with the costs of mining equipment, will be amortized using the unit-of-production method. When there is little prospect of further work on a property being carried out by the Company or its partners or when a property is abandoned or when the capitalized costs are not considered to be economically recoverable, the related property costs are written down to the amount recoverable.

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of a property option agreement. As the property options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Property option payments are recorded as property costs or recoveries when the payments are made or received. Proceeds received on the sale or property option of the Company's property interest is recorded as a reduction of the mineral property cost. The Company recognizes in income those costs that are recovered on mineral property interests when amounts received or receivable are in excess of the carrying amount.

The amounts shown for mineral property interests represent costs incurred to date and include advance net smelter return ("NSR") royalties, less recoveries and write-downs, and are not intended to reflect present or future values.

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## 3. Significant Accounting Policies (continued)

### (e) Equipment:

Leasehold improvements and office equipment and furnishings are recorded at cost, and are amortized on a double declining basis as follows:

Leasehold improvements	Straight line over lease term
Office equipment	Double declining rate of 30%
Office furnishings	Double declining rate of 20%
Right of use	Straight line over lease term

### (f) Proceeds on unit offerings:

Proceeds received on the issuance of units, consisting of common shares and warrants, are first allocated to the fair value of the common shares with any residual value then allocated to warrants. Consideration received on the exercise of warrants is recorded as share capital and any related reserve for share-based payments is transferred to share capital. Upon expiry of the warrants, the recorded fair value of the warrants is transferred from the reserve for share-based payments to deficit.

### (g) Non-monetary transactions:

Common shares issued for consideration other than cash are valued at their quoted market price at the date of issuance.

### (h) Flow-through common shares:

The Company will from time to time, issue flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through shares into: (i) a flow-through share premium equal to the excess, if any, which investors pay for the flow-through common share over the market price on closing date and which is recognized as a liability and (ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through share proceeds.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with the Government of Canada flow-through regulations. When applicable, this tax is accrued as a finance expense until paid.

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## 3. Significant Accounting Policies (continued)

### (i) Share buy-back:

The Company had implemented a normal course issuer bid whereby the Company would buy back its common shares on the exchange in which its shares are listed at the prevailing market prices. Shares which were purchased would reduce share capital for the cash consideration paid including any associated transaction costs. Common shares which were purchased under the normal course issuer bid are returned to treasury and cancelled.

### (j) Share-based payments:

The Company has a stock option plan that is described in Note 11(c). Share-based payments to employees 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 the 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 offset to the recorded cost is to the reserve for share-based payments. Consideration received on the exercise of stock options is recorded as share capital and the related reserve for share-based payments is transferred to share capital. Upon expiry, the recorded fair value is transferred from reserve for share-based payments to deficit.

The Company has a share appreciation rights plan, which provides stock option holders the right to receive the number of common shares that are equal in value to the intrinsic value of the stock options at the date of exercise. Amounts transferred from the reserve for share-based payment to share capital are based on the ratio of shares actually issued to the number of stock options originally granted. The remainder is transferred to deficit.

### (k) Environmental rehabilitation:

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mineral property interests and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period.

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## 3. Significant Accounting Policies (continued)

### (k) Environmental rehabilitation: (continued)

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred. The cost of ongoing current programs to prevent and control pollution is charged against profit or loss as incurred.

### (l) Earnings (loss) per share:

Basic earnings (loss) per share is computed by dividing the net income (loss) for the period by the weighted average number of common shares outstanding during the period. The treasury stock method is used to calculate diluted earnings (loss) per common share amounts. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of the diluted per common share amount 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. In the Company's case, diluted loss per share presented is the same as basic loss per share as the effect of outstanding options and warrants in the loss per common share calculation would be anti-dilutive.

### (m) Provisions:

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

### (n) Income taxes:

The Company follows the asset and liability method for accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and losses carried forward. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the substantive enactment date. Deferred tax assets are recognized to the extent that recovery is considered probable.

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## 3. Significant Accounting Policies (continued)

### (o) Right-of-use asset and lease liability:

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a right-of-use asset ("ROU asset") and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, at the commencement of the lease, with the following exceptions:

- (i) the Company has elected not to recognize ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months; or
- (ii) for leases of low value.

The payments for such leases are recognized in the consolidated statements of loss and comprehensive loss over the lease term.

The ROU asset is initially measured based on the present value of lease payments, lease payments made at or before the commencement day, and any initial direct costs. They are subsequently measured at cost less accumulated amortization and impairment losses. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments include fixed payments less any lease incentives and any variable lease payments where variability depends on an index or rate. When the lease contains an extension or purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the ROU asset and lease liability. The related payments are recognized as an expense in the period in which the triggering event occurs and are included in the consolidated statements of loss and comprehensive loss.

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## 4. Management of Capital

The Company is an exploration stage company and this involves a high degree of risk. The Company has not determined whether its mineral property interests contain reserves of ore and currently has not earned any revenues from its mineral property interests and, therefore, does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of share capital and proceeds from debt. The Company has generated cash inflows from the disposition of marketable securities. The Company is not subject to any externally imposed capital requirements.

The Company defines its capital as debt and share capital. Capital requirements are driven by the Company's exploration activities on its mineral property interests. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities.

The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this financing in the future. The Company will continue to rely on debt and equity financings to meet its commitments as they become due, to continue exploration work on its mineral property interests, and to meet its administrative overhead costs for the coming periods.

There were no changes in the Company's approach to capital management during the year ended December 31, 2020.

## 5. Management of Financial Risk

The Company has classified its financial instruments under IFRS 9 *Financial Instruments* ("IFRS 9") as follows:

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IFRS 9	
<b>Financial Assets</b>	
Cash	Fair value through profit or loss ("FVTPL")
Marketable securities	FVTPL
Receivables	Amortized cost
<b>Financial Liability</b>	
Accounts payable and accrued liabilities	Amortized cost
Deferred royalty liability	Amortized cost
Lease liability	Amortized cost

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## 5. Management of Financial Risk (continued)

The Company has classified its cash and marketable securities as financial assets at FVTPL; receivables as financial assets at amortized cost; and accounts payable and accrued liabilities, deferred royalty liability and lease liability as financial liabilities at amortized cost.

The Company's investment in shares of Aztec Metals Corp., a company sharing one common director, ("AzMet") is classified as FVTPL. There is no separately quoted market value for the Company's investments in the shares of AzMet which have \$Nil book value.

The fair values of the Company's receivables and accounts payable and accrued liabilities approximate their carrying values due to the short terms to maturity. Cash and certain marketable securities are measured at fair values using Level 1 inputs. Other marketable securities are measured using Level 3 of the fair value hierarchy. Deferred royalty and lease liabilities are measured using Level 2 inputs.

The Company is exposed in varying degrees to a variety of financial instrument related risks, including credit risk, liquidity risk and market risk which includes foreign currency risk, interest rate risk and other price risk. The types of risk exposure and the way in which such exposure is managed are provided as follows.

### (a) Credit risk:

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality Canadian financial institutions.

Management has reviewed the items comprising the accounts receivable balance which may include amounts receivable from certain related parties, and determined that all accounts are collectible; accordingly, there has been no allowance for doubtful accounts recorded.

### (b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and its ability to raise equity financings. As at December 31, 2020, the Company had a working capital of \$7.3 million (2019 – \$1.9 million). The Company has sufficient funding to meet its short-term liabilities and administrative overhead costs, and to maintain its mineral property interests in 2021.

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## 5. Management of Financial Risk (continued)

### (b) Liquidity risk: (continued)

The following schedule provides the contractual obligations related to the deferred royalty and lease liability payments (Notes 10(b) and (c)) as at December 31, 2020 and 2019:

	Payments due by Period (CAD\$000)					Payments due by Period (US\$000)				
	Total	Less than			After 5 years	Total	Less than			After 5 years
		1 year	1-3 years	3-5 years			1 year	1-3 years	3-5 years	
Basic office lease	\$ 76	\$ 48	\$ 28	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Advance royalty payments	-	-	-	-	-	285	35	105	105	40
<b>Total, December 31, 2020</b>	<b>\$ 76</b>	<b>\$ 48</b>	<b>\$ 28</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 285</b>	<b>\$ 35</b>	<b>\$ 105</b>	<b>\$ 105</b>	<b>\$ 40</b>
Basic office lease	\$ 123	\$ 47	\$ 76	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Advance royalty payments	-	-	-	-	-	320	35	105	105	75
<b>Total, December 31, 2019</b>	<b>\$ 123</b>	<b>\$ 47</b>	<b>\$ 76</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 320</b>	<b>\$ 35</b>	<b>\$ 105</b>	<b>\$ 105</b>	<b>\$ 75</b>

Accounts payable and accrued liabilities are due in less than 90 days.

### (c) Market risk:

The significant market risk exposures to which the Company is exposed are foreign currency risk, interest rate risk and other price risk.

#### (i) Foreign currency risk:

Certain of the Company's mineral property interests and operations are in Canada. Most of its operating expenses are incurred in Canadian dollars. Fluctuations in the Canadian dollar would affect the Company's consolidated statements of comprehensive loss as its functional currency is the Canadian dollar, and fluctuations in the U.S. dollar would impact its cumulative translation adjustment as its consolidated financial statements are presented in U.S. dollars.



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## 5. Management of Financial Risk (continued)

### (c) Market risk: (continued)

#### (i) Foreign currency risk: (continued)

The Company is exposed to currency risk for its U.S. dollar equivalent of assets and liabilities denominated in currencies other than U.S. dollars as follows:

	Stated in U.S. Dollars (Held in Canadian Dollars)	
	2020	2019
Cash	\$ 5,622	\$ 1,878
Marketable securities	1,323	104
Receivables	87	28
Accounts payable and accrued liabilities	(308)	(118)
Lease liability	(51)	(75)
Net financial assets (liabilities), December 31	\$ 6,673	\$ 1,817

Based upon the above net exposure as at December 31, 2020 and assuming all other variables remain constant, a 15% (2019 - 5%) depreciation or appreciation of the U.S. dollar relative to the Canadian dollar could result in a decrease (increase) of approximately \$1.0 million (2019 - \$91,000) in the cumulative translation adjustment in the Company's shareholders' equity.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

#### (ii) Interest rate risk:

In respect of financial assets, the Company's policy is to invest excess cash at floating rates of interest in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return. Fluctuations in interest rates impact on the value of cash equivalents. The Company's investments in guaranteed investment certificates bear a fixed rate and are cashable at any time prior to maturity date. Interest rate risk is not significant to the Company as it has no cash equivalents at period-end.

#### (iii) Other price risk:

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

The Company's other price risk includes equity price risk, whereby investment in marketable securities are held for trading financial assets with fluctuations in quoted market prices recorded at FVTPL. There is no separately quoted market value for the Company's investments in the shares of certain strategic investments.

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## 5. Management of Financial Risk (continued)

(c) Market risk: (continued)

(iii) Other price risk: (continued)

As certain of the Company's marketable securities are carried at market value and are directly affected by fluctuations in value of the underlying securities, the Company considers its financial performance and cash flows could be materially affected by such changes in the future value of the Company's marketable securities. Based upon the net exposure as at December 31, 2020 and assuming all other variables remain constant, a net increase or decrease of 80% (2019 - 80%) in the market prices of the underlying securities would increase or decrease respectively net (loss) income by \$1.1 million (2019 - \$83,000).

In June 2018, the Company adopted a normal course issuer bid whereby the Company may acquire up to 2.18 million common shares of the Company, and shall pay the prevailing market price at the time of purchase, and which terminated on June 20, 2019. The cash consideration paid for any such purchases would be subject to fluctuations in the market price of its common shares. (Note 11(b)(iii)).

## 6. Promissory Note Receivable

On February 12, 2018, the Company entered into a Forbearance Agreement with the debtor in which the loan principal totaling \$220,000. Funds of \$94,500 were received in 2018 with a balance of \$59,500 received in January 2019, net of legal fees.

## 7. Marketable Securities

	December 31,	
	2020	2019
Balance, begin of period	\$ 104	\$ 719
Fair value of marketable securities received from option on mineral property interests	691	-
Disposition of marketable securities at fair value	(296)	(518)
Change in fair value of marketable securities	760	(131)
Foreign currency translation adjustment	64	34
Balance, end of period	\$ 1,323	\$ 104

The quoted market value and fair value of shares of companies was \$1.3 million at December 31, 2020 (2019 - \$104,000).

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## 8. Mineral Property Interests

	Canada					USA			Total
	British Columbia			Nunavut		Nevada		Other (Note 8(c))	
	New Polaris (Note 8(a)(i))	Windfall Hills (Note 8(a)(ii))	Princeton (Note 8(a)(iv))	Hard Cash (Note 8(a)(v))	Nigel (Note 8(a)(v))	Fondaway Canyon (Notes 8(b)(i))	Corral Canyon (Note 8(b)(ii))		
<b>Acquisition Costs:</b>									
Balance, December 31, 2018	\$ 3,888	\$ 344	\$ -	\$ 9	\$ 2	\$ 2,010	\$ 23	\$ 10	\$ 6,286
Additions	18	-	20	21	3	-	-	-	62
Recovery	-	-	-	-	-	-	-	(3)	(3)
Foreign currency translation adjustment	8	17	-	1	-	102	1	-	129
Write off	-	-	-	-	-	-	-	(7)	(7)
Balance, December 31, 2019	3,914	361	20	31	5	2,112	24	-	6,467
Additions	9	-	8	-	-	-	-	-	17
Recoveries	-	-	(28)	-	-	(513)	-	-	(541)
Foreign currency translation adjustment	4	7	-	1	-	42	1	-	55
Write off	-	-	-	(32)	(5)	-	-	-	(37)
Balance, December 31, 2020	3,927	368	-	-	-	1,641	25	-	5,961
<b>Deferred Exploration Expenditures:</b>									
Balance, December 31, 2018	5,778	630	69	120	-	1,353	1	-	7,951
Additions, net of recoveries	133	8	116	211	-	159	501	-	1,128
Foreign currency translation adjustment	427	32	3	6	-	68	1	-	537
Balance, December 31, 2019	6,338	670	188	337	-	1,580	503	-	9,616
Additions	183	361	7	746	-	38	33	-	1,368
Recoveries	-	-	(200)	-	-	(81)	-	-	(281)
Foreign currency translation adjustment	162	15	5	7	-	36	21	-	246
Write off	-	-	-	(1,090)	-	-	-	-	(1,090)
Balance, December 31, 2020	6,683	1,046	-	-	-	1,573	557	-	9,859
<b>Mineral property interests:</b>									
Balance, December 31, 2019	\$ 10,252	\$ 1,031	\$ 208	\$ 368	\$ 5	\$ 3,692	\$ 527	\$ -	\$ 16,083
Balance, December 31, 2020	10,610	1,414	-	-	-	3,214	582	-	15,820

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## 8. Mineral Property Interests (continued)

### (a) Canada:

#### (i) New Polaris (British Columbia):

The New Polaris property, which is located in the Atlin Mining Division, British Columbia, is 100% owned by the Company subject to a 15% net profit interest which may be reduced to a 10% net profit interest within one year of commercial production by issuing 150,000 common shares to Rembrandt Gold Mines Ltd. Acquisition costs at December 31, 2020 include a reclamation bond for \$218,000 (2019 - \$194,000).

#### (ii) Windfall Hills (British Columbia):

In April 2013, the Company acquired 100% undivided interests in two adjacent gold properties (Uduk Lake and Dunn properties) located in British Columbia. The Uduk Lake properties are subject to a 1.5% NSR production royalty that can be purchased for CAD\$1 million and another 3% NSR production royalty. The Dunn properties are subject to a 2% NSR royalty which can be reduced to 1% NSR royalty for \$500,000.

#### (iii) Princeton (British Columbia):

In December 2018 and then as amended in June 2019, the Company entered into a property option agreement jointly with Universal Copper Ltd. (formerly, Tasca Resources Ltd.) (“Universal”) and an individual whereby the Company has an option to earn a 75% interest in the Princeton property by: incurring exploration expenditures of CAD\$490,000 over a two year period; issuing 375,000 common shares to Universal by December 1, 2019 (issued); paying CAD\$25,000 cash to Universal by March 16, 2021; and granting a 1% NSR to Universal which can be acquired for CAD\$1 million and honoring a 2% NSR to the individual of which 1% NSR can be acquired for CAD\$1 million.

In October 2020, the Company assigned its interest in the property option agreement for the Princeton property to Damara Gold Corp. (“Damara”). Pursuant to the assignment, Damara will issue 9.9% of its outstanding common shares to the Company on closing of the assignment. Subject to the exercise of the option by December 31, 2021, the Company’s aggregate ownership in the capital of Damara shall increase to 19.9%. Damara shall incur exploration expenditures of CAD\$300,000 by December 31, 2020.

#### (iv) Hard Cash and Nigel (Nunavut):

In November 2018, the Company entered into a property option agreement with Silver Range Resources Ltd. (“Silver Range”) whereby the Company had an option to earn a 100% undivided interests in the Hard Cash and Nigel properties by paying CAD\$150,000 in cash and issuing 1.5 million common shares to Silver Range over a four year period. Silver Range retains a 2% NSR of which a 1% NSR can be acquired for CAD\$1 million. Silver Range shall also be entitled to receive \$1 per silver (“Au”) oz of measured and indicated resource estimate and \$1 per Au oz of proven or probable reserve estimate, payable in either cash or common shares of the Company at the Company’s election.

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## 8. Mineral Property Interests (continued)

### (a) Canada: (continued)

#### (iv) Hard Cash and Nigel (Nunavut): (continued)

The Company terminated the property option agreement, and accordingly indicators of impairment existed leading to a test of recoverable amount which resulted in an impairment loss of \$1.1 million. A value in use calculation is not applicable as the Company does not have any expected cash flows from the property option agreement at this stage. In estimating the fair value less costs of disposal, management did not have observable or unobservable input to estimate the recoverable amount greater than \$nil. As this valuation technique requires management's judgement and estimates of recoverable amount, it is classified as Level 3 of the fair value hierarchy.

#### (v) Eskay Creek property (British Columbia):

In December 2017, the Company signed an agreement with Barrick Gold Inc ("Barrick") and Skeena Resources Ltd. ("Skeena") involving the Company's 33.3% carried interest in certain mining claims adjacent to the past-producing Eskay Creek Gold mine located in northwest British Columbia, whereby the Company will retain its 33.33% carried interest. The Company and Barrick have respectively 33.33% and 66.67% interests in 6 claims and mining leases at Eskay Creek. Pursuant to an option agreement between Skeena and Barrick, Skeena has the right to earn Barrick's 66.67% interest in the property which right had been exercised in October 2020. The Company wrote off the property in 2005.

### (b) United States:

#### (i) Fondaway Canyon (Nevada):

On March 20, 2017, the Company closed the Membership Interest Purchase Agreement with AIM (the "Membership Agreement") whereby the Company acquired 100% legal and beneficial interests in mineral properties located in Nevada, Idaho and Utah (USA) for a total cash purchase price of \$2 million in cash and honouring pre-existing NSRs.

Certain of the mineral properties are subject to royalties. For the Fondaway Canyon project, it bears both a 3% NSR and a 2% NSR. The 3% NSR has a buyout provision for an original amount of \$600,000 which is subject to advance royalty payments of \$35,000 per year by July 15<sup>th</sup> of each year until a gross total of \$600,000 has been paid at which time the NSR is bought out. A balance of \$425,000 with a fair value of \$183,000 was outstanding upon the closing of the Membership Agreement and a remaining balance of \$285,000 remains payable as at December 31, 2020 (2019 - \$320,000). The 2% NSR has a buyout provision of either \$2 million in cash or 19.99% interest of a public entity which owns AIM if AIM were to close an initial public offering of at least \$5 million.

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## 8. Mineral Property Interests (continued)

### (b) United States: (continued)

#### (i) Fondaway Canyon (Nevada): (continued)

On October 16, 2019, the Company signed a binding Letter Agreement with Getchell Gold Corp. (“Getchell”) which was later superseded by the Option Agreement for the Acquisition of Fondaway Canyon and Dixie Comstock Properties on January 3, 2020, whereby Getchell has an option for 4 years to acquire 100% of the Fondaway Canyon and Dixie Comstock properties located in Churchill County, Nevada (both subject to a 2% NSR) for \$4 million in total compensation to the Company, comprised of \$2 million in cash and \$2 million in shares of Getchell. The option includes minimum annual work commitments of \$1.45 million on the properties. Getchell must also honor the pre-existing NSR and advance royalty commitments related to the properties, and grant the Company a 2% NSR on the Fondaway Canyon and Dixie Comstock properties of which half (1%) can be bought for \$1 million per property.

#### (ii) Corral Canyon (Nevada):

In 2018, the Company staked 92 mining claims in Nevada, USA.

#### (iii) Silver King (Nevada):

In October 2018, the Company entered into a property option agreement for its Silver King property with Brownstone Ventures (US) Inc. (“Brownstone”) whereby Brownstone has an option to earn a 100% undivided interest by paying \$240,000 in cash over a 10 year period with early option exercise payment of \$120,000. The Company will retain a 2% NSR of which a 1% NSR can be acquired by Brownstone for \$1 million.

#### (iv) Lightning Tree (Idaho):

In early July 2020, the Company entered into a non-binding letter of intent for its Lightning Tree property located in Lemhi County, Idaho, with Ophir Gold Corp. (formerly, MinKap Resources Inc.) (“Ophir”), whereby Ophir shall acquire a 100% undivided interest in the property. On September 10, 2020, a definitive mineral property purchase agreement was executed. Over a three year period, Ophir shall pay to the Company a total of CAD\$137,500 in cash over a three year period and issue 2.5 million common shares and 2.5 million warrants over a two year period, and shall incur aggregate exploration expenditures of at least \$4 million over a three year period. If Ophir fails to incur the exploration expenditure, the property reverts back to the Company. The Company will retain a 2.5% NSR of which a 1% NSR can be acquired by Ophir for CAD\$1 million. If Ophir fails to file a NI 43-101 compliant resource on the Lightning Tree property within three years, the property will revert back to the Company.

### (c) Other:

In December 2018, the Company entered into a Memorandum of Understanding for an exploration and development project in South America whereby the Company paid \$10,000 in 2018 and another \$10,000 is payable as a success fee to close on an acceptable agreement for such project. In October 2019, the Company recovered \$3,000 from its initial payment and wrote off the remaining balance of \$7,000.

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## 8. Mineral Property Interests (continued)

### (d) Expenditure options:

As at December 31, 2020, to maintain the Company's interest and/or to fully exercise the options under various property agreements covering its properties, the Company must make payments as follows:

	Cash Payments (CAD\$000)	Cash Payments (US\$000)	Annual Payments (US\$000)	Number of Shares
New Polaris (Note 8(a)(i)):				
Net profit interest reduction or buydown	\$ -	\$ -	\$ -	150,000
Fondaway Canyon (Note 8(b)(i)):				
Advance royalty payment for buyout of 3% net smelter return <sup>(1)</sup>	-	-	35	-
Buyout provision for net smelter return of 2% <sup>(2)</sup>	-	2,000	-	-
Windfall Hills (Note 8(a)(ii)):				
Buyout provision for net smelter return of 1.5%	1,000	-	-	-
Reduction of net smelter return of 2% to 1%	-	500	-	-
Princeton (Note 8(a)(iv)) <sup>(3)</sup> :				
On or before:				
March 16, 2021	25	-	-	-
Buyout provision for net smelter return of 1%	1,000	-	-	-
Reduction of net smelter return of 2% to 1%	1,000	-	-	-
	\$ 3,025	\$ 2,500	\$ 35	150,000

<sup>(1)</sup> Advance royalty payments of 285,000 remain payable as at December 31, 2020 with annual payments of \$35,000. Pursuant to the option agreement, Getchell will be obligated to pay the annual advance royalty (Note 8(b)(i)).

<sup>(2)</sup> The 2% NSR has a buyout provision of either \$2 million in cash or 19.99% interest of a public entity which owns AIM if AIM were to close an initial public offering of at least \$5 million.

<sup>(3)</sup> In October 2020, the Company assigned its interest in the property option agreement for the Princeton property to Damara (Note 8(a)(iii)).

These amounts may be reduced in the future as the Company determines which mineral property interests to continue to explore and which to abandon.

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## 8. Mineral Property Interests (continued)

### (e) Title to mineral property interests:

The Company has diligently investigated rights of ownership of all of its mineral property interests/concessions and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, all properties and concessions may be subject to prior claims, agreements or transfers, and rights of ownership may be affected by undetected defects.

### (f) Realization of assets:

The Company's investment in and expenditures on its mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent on establishing legal ownership of the mineral properties, on the attainment of successful commercial production or from the proceeds of their disposal. The recoverability of the amounts shown for mineral property interests is dependent upon the existence of reserves, the ability of the Company to obtain necessary financing to complete the development of the properties, and upon future profitable production or proceeds from the disposition thereof.

### (g) Environmental:

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation of the Company's operation may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous materials and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its current properties and former properties in which it has previously had an interest. The Company is not aware of any existing environmental problems related to any of its current or former mineral property interests that may result in material liability to the Company.



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## 9. Equipment

	Leasehold Improvements	Office Furnishings and Equipment	Right of Use Asset	Total
<b>Cost:</b>				
Balance, January 1, 2019	\$ 83	\$ 33	\$ 112	\$ 228
Acquisitions	-	8	-	8
Foreign currency translation adjustment	4	1	5	10
Balance, December 31, 2019	87	42	117	246
Acquisitions	-	4	-	4
Foreign currency translation adjustment	2	1	3	6
Balance, December 31, 2020	89	47	120	256
<b>Accumulated amortization:</b>				
Balance, January 1, 2019	26	10	34	70
Amortization	16	8	24	48
Foreign currency translation adjustment	-	-	-	-
Balance, December 31, 2019	42	18	58	118
Amortization	16	9	23	48
Foreign currency translation adjustment	2	1	4	7
Balance, December 31, 2020	60	28	85	173
<b>Net book value:</b>				
Balance, December 31, 2019	\$ 45	\$ 24	\$ 59	\$ 128
Balance, December 31, 2020	\$ 29	\$ 19	\$ 35	\$ 83

The Company has a lease agreement for its headquarter office space in Vancouver, British Columbia.

## 10. Liabilities

### (a) Flow Through Premium Liability

On April 21, 2017, the Company closed a private placement for 3.8 million flow through common shares at CAD\$0.13 per share for gross proceeds of CAD\$500,000. The fair value of the shares was CAD\$0.11 per share, resulting in the recognition of a flow through premium liability of CAD\$0.02 per share for a total of CAD\$76,900. (Note 11(b)(ii)).

On July 23, 2019, the Company closed a private placement for 4.7 million flow through common shares for gross proceeds of CAD\$1.4 million; of these shares, 3.4 million were issued at a price of CAD\$0.30 per share and 1.3 million shares at CAD\$0.3125 per share. The fair value of the shares was CAD\$0.30 per share, resulting in the recognition of a flow through premium liability of CAD\$0.0125 per share for a total of CAD\$16,000.

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## 10. Liabilities (continued)

### (a) Flow Through Premium Liability (continued)

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Balance, December 31, 2017	\$	54
Less:		
Income tax recovery		(54)
Balance, December 31, 2018		<u>-</u>
Add:		
Excess of subscription price over fair value of flow through common shares		12
Less:		
Income tax recovery		(3)
Balance, December 31, 2019		<u>9</u>
Less:		
Income tax recovery		(9)
Balance, December 31, 2020	\$	<u>-</u>

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### (b) Deferred Royalty Liability

The 3% NSR for the Fondaway Canyon project which was acquired in March 2017 has a buyout provision for an original amount of \$600,000 which is subject to advance royalty payments of \$35,000 per year by July 15<sup>th</sup> of each year until a gross total of \$600,000 has been paid at which time the NSR is bought out in full; a balance of \$425,000 was remaining upon the closing of the Membership Agreement in March 2017. (Note 8(b)(i)).

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Balance, December 31, 2018	\$	165
Add:		
Interest		29
Less:		
Advance royalty payment		(35)
Foreign currency translation adjustment		(1)
Balance, December 31, 2019		<u>158</u>
Add:		
Interest		28
Less:		
Advance royalty payment		(35)
Balance, December 31, 2020	\$	<u>151</u>
Current portion <sup>(1)</sup>	\$	35
Long term portion		<u>116</u>
Balance, December 31, 2020	\$	<u>151</u>

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## 10. Liabilities (continued)

### (b) Deferred Royalty Liability (continued)

<sup>(1)</sup> Pursuant to the option agreement, Getchell will be obligated to pay the annual advance royalty (Note 8(b)(i)). Getchell paid an annual advance royalty of \$35,000 in July 2020.

### (c) Lease Liability

The continuity of the lease liability for the year ended December 31, 2020 is as follows:

Balance, January 1, 2019	\$	90
Add:		
Interest		15
Foreign currency translation adjustment		5
Less:		
Payments		(35)
Balance, December 31, 2019		<u>75</u>
Add:		
Interest		11
Less:		
Payments		(35)
Balance, December 31, 2020	\$	<u>51</u>
Current portion	\$	31
Long term portion		<u>20</u>
Balance, December 31, 2020	\$	<u>51</u>

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## 11. Share Capital

### (a) Authorized:

The authorized share capital of the Company is comprised of an unlimited number of common shares without par value.

Effective December 8, 2020, the Company consolidated its share capital on the basis of five pre consolidation common shares for one post share consolidation share. All share references presented in these consolidated financial statements have been retroactively adjusted to reflect the share consolidation.

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## 11. Share Capital (continued)

### (b) Issued:

- (i) In October and November 2020, the Company closed a private placement in two tranches totalling 21 million units at a price of CAD\$0.40 per unit for gross proceeds of CAD\$8.4 million with each unit comprised of one common share and one-half of one common share purchase warrant; each whole warrant is exercisable to acquire one common share at an exercise price of CAD\$0.65 per share for a period of two years. On October 7, 2020, the Company closed the first tranche for 8 million units for gross proceeds of CAD\$3.2 million. On November 12, 2020, the Company closed the second tranche for 13 million units for gross proceeds of CAD\$5.2 million; the second tranche received interested and disinterested shareholder approvals at the Company's special general meeting held on October 19, 2020. Finders fees included CAD\$176,400 in cash and 385,200 warrants with the same terms as the underlying warrants in the private placement. If the closing market price of the common shares is at a price equal to or greater than CAD\$1.00 for a period of 10 consecutive trading days on the Toronto Stock Exchange ("TSX"), the Company will have the right to accelerate the expiry date of the warrants by giving written notice to the warrant holders that the warrants will expire on the date that is not less than 30 days from the date notice is provided by the Company to the warrant holders.

In 2020, stock options for 576,000 shares were exercised for proceeds of \$138,000 and \$98,000 was reallocated from reserve for share-based payments to share capital.

Stock options for 280,000 common shares were cancelled for the exercise of share appreciation rights for 143,303 common shares at a fair value of CAD\$0.55 per share.

In January 2021, stock options for 210,000 common shares were cancelled for the exercise of share appreciation rights for 104,884 common shares. In February 2021, stock options for 30,000 common shares were exercised.

- (ii) On July 23, 2019, the Company closed a private placement for 4.75 million flow through common shares for gross proceeds of CAD\$1.4 million; of these shares, 3.5 million were issued at a price of CAD\$0.30 per share and 1.3 million shares at CAD\$0.3125 per share. The fair value of the shares was CAD\$0.30 per share, resulting in the recognition of a flow through premium liability of CAD\$0.0125 per share for a total of CAD\$16,000. Finder fees were comprised of CAD\$91,400 in cash and 301,624 warrants; each warrant is exercisable to acquire one non-flow through common share at an exercise price of CAD\$0.30 per share until July 23, 2021.

In November 2019, the Company issued 40,000 common shares at a value of CAD\$0.30 per share to Silver Range for the Hard Cash and Nigel properties (Note 8(a)(iv)).

In November 2019, the Company issued 75,000 common shares at a value of CAD\$0.25 per share to Universal for the Princeton property (Note 8(a)(iii)).

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## 11. Share Capital (continued)

### (b) Issued: (continued)

- (iii) In January 2018, the Company purchased 17,200 shares for CAD\$6,700 pursuant to a normal course issuer bid which ended in February 2018.

In June 2018, the Company received regulatory approval for a normal course issuer bid to acquire up to 2.2 million common shares of the Company representing approximately up to 5% of its issued and outstanding common shares at that time. The bid was effective on June 21, 2018 and terminated on June 20, 2019. The actual number of common shares purchased under the bid and the timing of any such purchases were at the Company's discretion. Purchases under the bid shall not exceed 4,779 common shares per day. The Company paid the prevailing market price at the time of purchase for all common shares purchased under the bid, and all common shares purchased by the Company were cancelled. From June to December 2018, the Company purchased 87,600 shares for CAD\$20,595 with an average price of CAD\$0.25 per share; no further shares were purchased in 2019 under its normal course issuer bid.

In December 2018, the Company issued 20,000 common shares at a value of CAD\$0.25 per share to Silver Range for the Hard Cash and Nigel properties (Note 8(a)(iv)).

### (c) Stock option plan:

The Company has a stock option plan that allows it to grant stock options to its directors, officers, employees, and consultants to acquire up to 8,852,339. The exercise price of each stock option cannot be lower than the last recorded sale of a board lot on the TSX during the trading day immediately preceding the date of granting or, if there was no such date, the high/low average price for the common shares on the TSX based on the last five trading days before the date of the grant. Stock options have a maximum term of ten years and terminate 30 days following the termination of the optionee's employment, except in the case of death, in which case they terminate one year after the event. Vesting of stock options is made at the discretion of the board at the time the stock options are granted.

At the discretion of the board, certain stock option grants provide the holder the right to receive the number of common shares, valued at the quoted market price at the time of exercise of the stock options, that represent the share appreciation since granting the stock options.

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## 11. Share Capital (continued)

### (c) Stock option plan: (continued)

The continuity of outstanding stock options for the years ended December 31, 2020, 2019 and 2018 is as follows:

	2020		2019		2018	
	Number of Shares	Weighted average exercise price (CAD\$)	Number of Shares	Weighted average exercise price (CAD\$)	Number of Shares	Weighted average exercise price (CAD\$)
Outstanding balance, beginning of year	3,550,000	\$0.37	3,280,000	\$0.40	3,871,500	\$0.40
Granted	840,000	\$0.50	750,000	\$0.30	850,000	\$0.35
Exercised	(576,000)	\$0.31	-	-	-	-
Cancellation for share appreciation rights	(280,000)	\$0.30	-	-	-	-
Forfeited	(140,000)	\$0.39	(12,000)	\$0.35	(202,500)	\$0.45
Expired	(184,000)	\$0.42	(468,000)	\$0.50	(1,239,000)	\$0.40
Outstanding balance, end of year	3,210,000	\$0.42	3,550,000	\$0.35	3,280,000	\$0.40
Exercise price range	\$0.30 - \$0.55		\$0.25 - \$0.50		\$0.25 - \$0.50	

The following table summarizes information about stock options exercisable and outstanding at December 31, 2020 and 2019:

Exercise Prices (CAD\$)	Options Outstanding			Options Exercisable		
	Number Outstanding at Dec 31, 2020	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices (CAD\$)	Number Exercisable at Dec 31, 2020	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices (CAD\$)
\$0.40	720,000	0.51	\$0.40	720,000	0.51	\$0.40
\$0.50	410,000	1.42	\$0.50	410,000	1.42	\$0.50
\$0.40	520,000	2.49	\$0.40	520,000	2.49	\$0.40
\$0.275	200,000	2.86	\$0.275	200,000	2.86	\$0.275
\$0.35	140,000	3.14	\$0.35	112,000	3.14	\$0.35
\$0.40	60,000	3.22	\$0.40	48,000	3.22	\$0.40
\$0.30	400,000	3.49	\$0.30	320,000	3.49	\$0.30
\$0.50	680,000	4.49	\$0.50	340,000	4.49	\$0.50
\$0.55	80,000	4.63	\$0.55	20,000	4.63	\$0.55
\$0.42	3,210,000	2.58	\$0.42	2,690,000	2.25	\$0.42

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## 11. Share Capital (continued)

### (c) Stock option plan: (continued)

Exercise Prices (CAD\$)	Options Outstanding			Options Exercisable		
	Number Outstanding at Dec 31, 2019	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices (CAD\$)	Number Exercisable at Dec 31, 2019	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices (CAD\$)
\$0.30	740,000	0.94	\$0.30	740,000	0.94	\$0.30
\$0.40	720,000	1.52	\$0.40	720,000	1.52	\$0.40
\$0.50	410,000	2.42	\$0.50	410,000	2.42	\$0.50
\$0.45	100,000	2.70	\$0.45	100,000	2.70	\$0.45
\$0.40	640,000	3.49	\$0.40	512,000	3.49	\$0.40
\$0.275	200,000	3.87	\$0.275	120,000	3.87	\$0.275
\$0.35	140,000	4.15	\$0.35	56,000	4.15	\$0.35
\$0.40	60,000	4.22	\$0.40	24,000	4.22	\$0.40
\$0.30	540,000	4.49	\$0.30	216,000	4.49	\$0.30
	<u>3,550,000</u>	2.62	\$0.35	<u>2,898,000</u>	2.28	\$0.40

During the year ended December 31, 2019, the Company recognized share-based payments of \$170,000 (2019 - \$120,000 and 2018 - \$118,000), net of forfeitures, based on the fair value of stock options that were earned by the provision of services during the period. Share-based payments are segregated between directors and officers, employees and consultants, as applicable, as follows:

	2020	2019	2018
Directors and officers	\$ 148	\$ 101	\$ 118
Employees	3	-	-
Consultants	19	19	-
	<u>\$ 170</u>	<u>\$ 120</u>	<u>\$ 118</u>

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(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

## 11. Share Capital (continued)

### (c) Stock option plan: (continued)

The weighted average fair value of stock options granted and the weighted average assumptions used to calculate share-based payments for stock option grants are estimated using the Black-Scholes option pricing model as follows:

	2020	2019	2018
Number of stock options granted	840,000	750,000	850,000
Fair value of stock options granted (CAD\$)	\$0.31	\$0.20	\$0.20
Market price of shares on grant date (CAD\$)	\$0.48	\$0.30	\$0.25
Pre-vest forfeiture rate	13.27%	13.81%	16.09%
Risk-free interest rate	0.33%	1.44%	2.10%
Expected dividend yield	0%	0%	0%
Expected stock price volatility	94%	105%	119%
Expected option life in years	3.98	4.22	4.22

Expected stock price volatility is based on the historical price volatility of the Company's common shares.

In fiscal 2018, the Company granted the following stock options:

- 650,000 stock options to directors, officers and employees with an exercise price of CAD\$0.40 and an expiry date of June 29, 2023, and which are subject to vesting provisions in which 20% of the options vest immediately on the grant date and 20% vest every six months thereafter; and
- 200,000 stock options to an officer of which 100,000 stock options have an exercise price of CAD\$0.25 and 100,000 stock options with an exercise price of CAD\$0.30 and an expiry date of November 12, 2023, and which are subject to vesting provisions in which 20% of the options vest immediately on the grant date and 20% vest every six months thereafter.

In fiscal 2019, the Company granted the following stock options:

- 140,000 stock options to consultants with an exercise price of CAD\$0.35 per share and an expiry date of February 22, 2024 and which are subject to vesting provisions in which 20% of the options vest immediately on the grant date and 20% vest every six months thereafter;
- 60,000 stock options to a director with an exercise price of CAD\$0.40 per share and an expiry date of March 21, 2024 and which are subject to vesting provisions in which 20% of the options vest immediately on the grant date and 20% vest every six months thereafter; and
- 550,000 stock options to directors, officers and employees with an exercise price of CAD\$0.30 and an expiry date of June 27, 2024, and which are subject to vesting provisions in which 20% of the options vest immediately on the grant date and 20% vest every six months thereafter.

In fiscal 2020, the Company granted the following stock options:

- 760,000 stock options to directors, officers and employees with an exercise price of CAD\$0.50 and an expiry date of June 29, 2025, and which are subject to vesting provisions in which 25% of the options vest immediately on the grant date and 25% vest every six months thereafter; and
- 80,000 stock options to a director with an exercise price of CAD\$0.55 and an expiry date of August 19, 2025, and which are subject to vesting provisions in which 25% of the options vest immediately on the grant date and 25% vest every six months thereafter.



# CANAGOLD RESOURCES LTD.

(formerly, Canarc Resource Corp.)

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2020, 2019 and 2018

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

## 11. Share Capital (continued)

### (d) Warrants:

At December 31, 2020, the Company had outstanding warrants as follows:

Exercise Prices (CAD\$)	Expiry Dates	Outstanding at December 31, 2019	Issued	Exercised	Expired	Outstanding at December 31, 2020
\$0.30	July 23, 2021 <sup>(1)</sup>	301,624	-	-	-	301,624
\$0.65	October 7, 2022 <sup>(2)</sup>	-	4,000,000	-	-	4,000,000
\$0.65	November 12, 2022 <sup>(2)</sup>	-	6,500,000	-	-	6,500,000
\$0.65	November 12, 2022 <sup>(2), (3)</sup>	-	385,200	-	-	385,200
		301,624	10,885,200	-	-	11,186,824

(1) As these warrants are agent's warrants, a fair value of \$33,110 was originally recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 89%, risk-free rate 1.44%, expected life 2 years, and expected dividend yield 0%.

(2) If the closing market price of the common shares is at a price equal to or greater than CAD\$1.00 for a period of 10 consecutive trading days on the Toronto Stock Exchange, the Company will have the right to accelerate the expiry date of the warrants by giving written notice to the warrant holders that the warrants will expire on the date that is not less than 30 days from the date notice is provided by the Company to the warrant holders.

(3) As these warrants are agent's warrants, a fair value of \$126,560 was originally recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 105%, risk-free rate 0.26%, expected life 2 years, and expected dividend yield 0%.

# CANAGOLD RESOURCES LTD.

(formerly, Canarc Resource Corp.)

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2020, 2019 and 2018

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

## 11. Share Capital (continued)

### (d) Warrants: (continued)

At December 31, 2019, the Company had outstanding warrants as follows:

Exercise Prices (CAD\$)	Expiry Dates	Outstanding at December 31, 2018	Issued	Exercised	Expired	Outstanding at December 31, 2019
\$0.60	March 3, 2019	1,770,515	-	-	(1,770,515)	-
\$0.60	March 14, 2019	499,444	-	-	(499,444)	-
\$0.60	March 14, 2019 <sup>(1)</sup>	31,111	-	-	(31,111)	-
\$0.60	April 21, 2019 <sup>(2)</sup>	50,000	-	-	(50,000)	-
\$0.30	July 23, 2021 <sup>(3)</sup>	-	301,624	-	-	301,624
		2,351,070	301,624	-	(2,351,070)	301,624

<sup>(1)</sup> As these warrants are agent's warrants, a fair value of \$10,320 was originally recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 150%, risk-free rate 0.58%, expected life 3 years, and expected dividend yield 0%.

<sup>(2)</sup> As these warrants are agent's warrants, a fair value of \$11,460 was originally recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 125%, risk-free rate 0.71%, expected life 2 years, and expected dividend yield 0%.

<sup>(3)</sup> As these warrants are agent's warrants, a fair value of \$33,110 was originally recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 89%, risk-free rate 1.44%, expected life 2 years, and expected dividend yield 0%.

# CANAGOLD RESOURCES LTD.

(formerly, Canarc Resource Corp.)

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2020, 2019 and 2018

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

## 11. Share Capital (continued)

### (d) Warrants: (continued)

At December 31, 2018, the Company had outstanding warrants as follows:

Exercise Prices (CAD\$)	Expiry Dates	Outstanding at December 31, 2017	Issued	Exercised	Expired	Outstanding at December 31, 2018
\$0.50	July 31, 2018 <sup>(1), (7)</sup>	1,690,000	-	-	(1,690,000)	-
\$0.75	September 18, 2018 <sup>(1)</sup>	1,050,811	-	-	(1,050,811)	-
\$0.75	September 18, 2018 <sup>(1), (2)</sup>	132,344	-	-	(132,344)	-
\$0.75	October 3, 2018 <sup>(1)</sup>	830,750	-	-	(830,750)	-
\$0.75	October 3, 2018 <sup>(1), (3)</sup>	12,145	-	-	(12,145)	-
\$0.40	September 21, 2018	1,066,555	-	-	(1,066,555)	-
\$0.40	September 21, 2018 <sup>(4)</sup>	107,302	-	-	(107,302)	-
\$0.60	March 3, 2019 <sup>(8)</sup>	1,770,515	-	-	-	1,770,515
\$0.60	March 14, 2019 <sup>(8)</sup>	499,444	-	-	-	499,444
\$0.60	March 14, 2019 <sup>(5), (8)</sup>	31,111	-	-	-	31,111
\$0.60	April 21, 2019 <sup>(6)</sup>	50,000	-	-	-	50,000
		7,240,977	-	-	(4,889,907)	2,351,070

# CANAGOLD RESOURCES LTD.

(formerly, Canarc Resource Corp.)

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2020, 2019 and 2018

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

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## 11. Share Capital (continued)

### (d) Warrants: (continued)

- (1) On August 28, 2015, the Company extended the terms of the expiry periods of the warrants by 18 months.
- (2) As these warrants are agent's warrants, a fair value of \$43,120 was originally recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 120%, risk-free rate 1.17%, expected life 3 years, and expected dividend yield 0%. On August 28, 2015, the agent's warrants were modified by the extension of the expiry term by 18 months resulting in a net fair value adjustment of \$4,622 as applied to reserve for share-based payments with a corresponding debit to deficit using the Black-Scholes option pricing model with the following revised assumptions: volatility 146%, risk-free rate 0.46%, expected life 3 years, and expected dividend yield 0%.
- (3) As these warrants are agent's warrants, a fair value of \$3,335 was originally recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 121%, risk-free rate 1.27%, expected life 3 years, and expected dividend yield 0%. On August 28, 2015, the agent's warrants were modified by the extension of the expiry term by 18 months resulting in a net fair value adjustment of \$386 as applied to reserve for share-based payments with a corresponding debit to deficit using the Black-Scholes option pricing model with the following revised assumptions: volatility 146%, risk-free rate 0.46%, expected life 3 years, and expected dividend yield 0%.
- (4) As these warrants are agent's warrants, a fair value of \$20,747 was recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 147%, risk-free rate 0.57%, expected life 3 years, and expected dividend yield 0%.
- (5) As these warrants are agent's warrants, a fair value of \$10,320 was originally recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 150%, risk-free rate 0.58%, expected life 3 years, and expected dividend yield 0%.
- (6) As these warrants are agent's warrants, a fair value of \$11,460 was originally recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 125%, risk-free rate 0.71%, expected life 2 years, and expected dividend yield 0%.
- (7) On July 14, 2017, the Company extended the term of the expiry period of the warrants by one year from July 31, 2017 to July 31, 2018, which expired unexercised.
- (8) These warrants expired unexercised on their respective expiry dates in 2019.

# CANAGOLD RESOURCES LTD.

(formerly, Canarc Resource Corp.)

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2020, 2019 and 2018

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

## 11. Share Capital (continued)

(e) Common shares reserved for issuance:

	Number of Shares		
	December 31,		
	2020	2019	2018
Stock options (Note 11(c))	3,210,000	3,550,000	3,280,000
Warrants (Note 11(d))	11,186,824	301,624	2,351,071
Balance	14,396,824	3,851,624	5,631,071

## 12. Corporate Development and General and Administrative

	Years ended December 31,		
	2020	2019	2018
Corporate Development:			
Geology and technical review	\$ 7	\$ -	\$ 26
Salaries and remuneration	34	14	1
Sundry	17	4	-
Travel and transportation	5	13	22
	\$ 63	\$ 31	\$ 49
General and Administrative:			
Accounting, audit and tax	\$ 32	\$ 28	\$ 36
Legal	24	15	15
Office and sundry	82	51	56
Regulatory	54	53	50
Rent	36	28	66
	\$ 228	\$ 175	\$ 223

# CANAGOLD RESOURCES LTD.

(formerly, Canarc Resource Corp.)

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2020, 2019 and 2018

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

## 13. Related Party Transactions

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management is disclosed in the table below.

Except as disclosed elsewhere in the consolidated financial statements, the Company had the following general and administrative costs with related parties during the years ended December 31, 2020, 2019 and 2018:

	Years ended December 31,			Net balance receivable (payable) as at December 31,	
	2020	2019	2018	2020	2019
Key management compensation:					
Executive salaries and remuneration <sup>(1)</sup>	\$ 562	\$ 455	\$ 490	\$ 118	\$ -
Severance	-	90	184	-	-
Directors fees	33	20	27	-	(2)
Share-based payments	148	101	118	-	-
	<u>\$ 743</u>	<u>\$ 666</u>	<u>\$ 819</u>	<u>\$ 118</u>	<u>\$ (2)</u>
Net office, sundry, rent and salary allocations recovered from (incurred to) company(ies) sharing certain common director(s) <sup>(2)</sup>	\$ 5	\$ 4	\$ 2	\$ 1	\$ 1

(1) Includes key management compensation which is included in employee and director remuneration, mineral property interests, and corporate development.

(2) The companies include Endeavour Silver Corp. (“Endeavour”) and Aztec Minerals Corp. (“AzMin”), both companies sharing one common director, and AzMet.

The above transactions are incurred in the normal course of business. Note 7 for marketable securities held in Endeavour, AzMin and AzMet.

# CANAGOLD RESOURCES LTD.

(formerly, Canarc Resource Corp.)

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2020, 2019 and 2018

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

## 14. Segment Disclosures

The Company has one operating segment, being mineral exploration, with assets located in Canada and the United States, as follows:

	December 31, 2020			December 31, 2019		
	Canada	USA	Total	Canada	USA	Total
Mineral property interests	\$ 12,024	\$ 3,796	\$ 15,820	\$ 11,864	\$ 4,219	\$ 16,083
Leasehold improvements and equipment	83	-	83	128	-	128

## 15. Commitments

In February 2017, the Company entered into an office lease arrangement for a term of five years with a commencement date of August 1, 2017. The basic rent per year is CAD\$46,000 for years 1 to 3 and CAD\$48,000 for years 4 to 5. As at December 31, 2020, the Company is committed to the following payments for base rent at its corporate head office in Vancouver, BC, as follows:

	Amount
	(CAD\$000)
Year:	
2021	\$ 48
2022	28
	\$ 76

For the Fondaway Canyon project, the 3% NSR has a buyout provision which is subject to advance royalty payments of \$35,000 per year by July 15<sup>th</sup> of each year until a gross total of \$600,000 has been paid at which time the NSR is bought out. A balance of \$285,000 remains payable as at December 31, 2020. (Notes 8(b)(i) and 10(b)).

# CANAGOLD RESOURCES LTD.

(formerly, Canarc Resource Corp.)

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2020, 2019 and 2018

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

## 16. Deferred Income Taxes

- (a) A reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision is provided as follows:

	2020	2019
Net loss for the year	\$ (1,708)	\$ (1,043)
Canadian statutory tax rate	27.00%	27.0%
Income tax benefit computed at statutory rates	(461)	(282)
Differences between Canadian and foreign tax rates	-	(6)
Temporary differences	539	254
Items not taxable/deductible for income tax purposes	46	31
Tax losses and tax offsets not recognized	96	4
Under (over) provided in prior years	(220)	(4)
Income tax recovery	\$ -	\$ (3)

Effective January 1, 2018, the Canadian federal corporate tax rate is 15% and the British Columbia provincial tax rate is 12% for a total Canadian statutory tax rate of 27%.

- (b) The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at December 31, 2020 and 2019 are presented below:

	December 31,	
	2020	2019
Deferred tax assets:		
Non-capital losses carried forward	\$ 1,003	\$ 889
Deferred tax liabilities:		
Book value of marketable securities	(205)	-
Book value over tax value of mineral properties	(798)	(889)
Net deferred tax assets	\$ -	\$ -



# CANAGOLD RESOURCES LTD.

(formerly, Canarc Resource Corp.)

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2020, 2019 and 2018

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

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## 16. Deferred Income Taxes (continued)

- (c) The Company recognizes tax benefits on losses or other deductible amounts where the probable criteria for the recognition of deferred tax assets have been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	December 31,	
	2020	2019
Non-capital losses	\$ 9,118	\$ 7,571
Marketable securities	-	145
Share issue costs	255	114
Unrealized foreign exchange	203	234
Tax value over book value of mineral properties	7,736	6,807
Tax value over book value of equipment	1,351	1,287
Unrecognized deductible temporary differences	\$ 18,663	\$ 16,158

As at December 31, 2020, the Company's unrecognized unused non-capital losses have the following expiry dates:

2026	\$ 57
2027	241
2028	-
2029	-
2030	488
2031	833
2032	893
2033	292
2034	872
2035	1,086
2036	-
2037	4,353
2038	854
2039	839
2040	1,096
No date of expiry	1,162
	\$ 13,066

# CANAGOLD RESOURCES LTD.

(formerly, Canarc Resource Corp.)

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2020, 2019 and 2018

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

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## 17. COVID-19

In 2020, the coronavirus global pandemic (“COVID-19”) affected the global economy as well as caused volatility in the global financial markets. While the full impact of COVID-19 on the global economy remains uncertain, rapid spread of COVID-19 may have an adverse effect on the Company’s financing capabilities. The extent to which COVID-19 may impact the Company’s business will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the disease. It is not possible to reliably estimate the length or severity of these developments and their financial impact to the date of approval of these consolidated financial statements.

**HEAD OFFICE**

#810 – 625 Howe Street  
Vancouver, BC, Canada, V6C 2T6

Telephone: (604) 685-9700

Facsimile: (604) 685-9744

Website: [www.canagoldresources.com](http://www.canagoldresources.com)

**DIRECTORS**

Bradford Cooke  
Scott Eldridge  
Martin Burian  
Deepak Malhotra  
Andrew Bowering

**OFFICERS**

Scott Eldridge ~ Chief Executive Officer  
Garry Biles ~ President and Chief Operating Officer  
Troy Gill ~ Vice President (Exploration)  
Philip Yee ~ Chief Financial Officer and Corporate Secretary

**REGISTRAR AND  
TRANSFER AGENT**

Computershare Investor Services Inc.  
3<sup>rd</sup> Floor, 510 Burrard Street  
Vancouver, BC, Canada, V6C 3B9

**AUDITORS**

Smythe LLP  
#1700 – 475 Howe Street  
Vancouver, BC, Canada, V6C 2B3

**SOLICITORS AND  
REGISTERED OFFICE**

Maxis Law Corporation  
#910 – 800 West Pender Street  
Vancouver, BC, Canada, V6C 2V6

**SHARES LISTED**

Trading Symbols  
TSX: CCM  
OTC-QB: CRCUF  
DBFrankfurt: CAN



**CANAGOLD**

**CANAGOLD RESOURCES LTD.**

**(formerly, Canarc Resource Corp.)**

**Fourth Quarter Report**

**Management Discussion and Analysis**

**(expressed in United States dollars)**

**Years ended December 31, 2020 and 2019**

# **CANAGOLD RESOURCES LTD.**

(formerly, Canarc Resource Corp.)

(the “Company”)

## **Fourth Quarter Report**

### **Management’s Discussion and Analysis For the Years ended December 31, 2020 and 2019 (expressed in United States dollars)**

#### **CAUTION – FORWARD LOOKING STATEMENTS**

Certain statements contained herein regarding the Company and its operations constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995. All statements that are not historical facts, including without limitation statements regarding future estimates, plans, objectives, assumptions or expectations of future performance, are “forward-looking statements”. We caution you that such “forward looking statements” involve known and unknown risks and uncertainties that could cause actual results and future events to differ materially from those anticipated in such statements. Such risks and uncertainties include fluctuations in precious metal prices, unpredictable results of exploration activities, uncertainties inherent in the estimation of mineral reserves and resources, if any, fluctuations in the costs of goods and services, problems associated with exploration and mining operations, changes in legal, social or political conditions in the jurisdictions where the Company operates, lack of appropriate funding and other risk factors, as discussed in the Company’s filings with Canadian and American Securities regulatory agencies. The Company expressly disclaims any obligation to update any forward-looking statements, other than as may be specifically required by applicable securities laws and regulations.

#### **1.0 Preliminary Information**

The following Management’s Discussion and Analysis (“MD&A”) of Canagold Resources Ltd. (formerly, Canarc Resource Corp.) (the “Company”) should be read in conjunction with the accompanying audited consolidated statement of financial position as at December 31, 2020 and 2019 and the consolidated statements of comprehensive loss, changes in shareholders’ equity and cash flows for the years ended December 31, 2020, 2019 and 2018, and a summary of significant accounting policies and other explanatory information, all of which are available at the SEDAR website at [www.sedar.com](http://www.sedar.com).

Financial information in this MD&A is prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and all dollar amounts are expressed in United States dollars unless otherwise indicated.

All information contained in the MD&A is as of March 30, 2021 unless otherwise indicated.

#### **1.1 Background**

The Company was incorporated under the laws of British Columbia, and is engaged in the acquisition, exploration, development and exploitation of precious metal properties.

Effective December 8, 2020, the Company changed its name from Canarc Resource Corp. to Canagold Resources Ltd. and consolidated its share capital on the basis of five pre consolidation common shares for one post share consolidation share.

As the Company is focused on its mineral exploration activities, there is no mineral production, sales or inventory in the conventional sense. The recoverability of amounts capitalized for mineral property interests is dependent upon the existence of reserves in its mineral property interests, the ability of the Company to arrange appropriate financing and receive necessary permitting for the exploration and development of its property interests, confirmation of the Company’s interest in certain properties, and upon future profitable production or proceeds from the disposition thereof. Such exploration and development activities normally take years to complete and the amount of resulting income, if any, is difficult to determine with any certainty at this time. Many of the key factors are outside of the Company’s control. As the carrying value and amortization of mineral property interests and capital assets are, in part, related to the Company’s mineral reserves and resources, if any, the estimation of such reserves and resources is significant to the Company’s financial position and results of operations.

## CANAGOLD RESOURCES LTD.

(formerly, Canarc Resource Corp.)

Management's Discussion and Analysis

For the Year ended December 31, 2020

(expressed in United States dollars)

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### 1.2 Overall Performance

The Company currently owns a direct interest in the precious metal properties, known as the New Polaris property (British Columbia), the Windfall Hills property (British Columbia) and Fondaway Canyon and Corral Canyon properties (Nevada) as well as a portfolio of nine other smaller exploration properties in Nevada, one in Idaho and one in Montana.

#### 1.2.1 New Polaris property (British Columbia, Canada)

The Company owns a 100% interest in the New Polaris property, located in the Atlin Mining Division, British Columbia, which is subject to a 15% net profit interest and may be reduced to a 10% net profit interest within one year of commercial production by issuing 150,000 common shares to Rembrandt Gold Mines Ltd.

The Company has been reviewing various processes for treating concentrates to produce gold doré bars at the New Polaris mine site to improve the economics and to possibly reduce certain risks to developing the project.

In the first half of 2018, the Company assessed pressure oxidation to treat the refractory concentrate and produce dore bars at the mine site. The autoclave study concluded that it would be uneconomic due to excessively high capital and operating costs. In the latter half of 2018, bench-scale testing of New Polaris gold concentrate using bio-oxidation treatment process was conducted. Metallurgical test using bio-oxidation treatment on flotation concentrate resulted in gold extractions up to 96%. Bio-oxidation testing of New Polaris concentrates dramatically increased the cyanide-recoverable gold from 8% for un-oxidized concentrate up to 96% on bio-oxidized material.

On April 17, 2019, the Company filed its updated NI 43-101 preliminary economic assessment study by Moose Mountain Technical Services ("Moose Mountain") for the New Polaris gold project (the "New Polaris Preliminary Economic Report"), using flotation/bio-oxidation and CIL leaching process.

The New Polaris Preliminary Economic Report is based upon building and operating a 750 tonne per day gold mine using bio-oxidation followed by a leaching process to produce 80,000 ounces gold per year in doré bars at site. The updated parameters in the base case economic model includes a gold price of US\$1,300 per oz, CAD\$/US\$ foreign exchange rate of 0.77, and cash costs of US\$433 per oz and all in sustaining cost US\$510 per oz. The New Polaris Preliminary Economic Report for the New Polaris project results in an after-tax net present value of CAD\$280 million using a discount rate of 5%, an after-tax internal rate of return of 38%, and an after tax pay-back period of 2.7 years. The New Polaris Preliminary Economic Report is preliminary in nature, and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. Given the inherent uncertainties of resources, especially inferred resources compared to reserves, the New Polaris gold mine project cannot yet be considered to have proven economic viability and there is no certainty that the results of the New Polaris Preliminary Economic Report will be realized.

The mineral resources, run of mine production and preliminary economic assessment economics are summarized below:

Mineral Resource	Indicated resources of 1,686,000 tonnes at 10.8 g/t Au Inferred resources of 1,483,000 tonnes at 10.2 g/t Au
PEA Production	2,306,000 tonnes (subset of Mineral Resource)
Production Rate	750 tonnes per day
Au Grade	10.3 grams per tonne
Au Recovery	90.5% gold into doré
Average Output	80,000 oz gold per year
Mine life	8.7 years
Gold Price	US \$ 1,300 per oz

## CANAGOLD RESOURCES LTD.

(formerly, Canarc Resource Corp.)

Management's Discussion and Analysis

For the Year ended December 31, 2020

(expressed in United States dollars)

Exchange Rate	US \$ 1.00 = CA\$ 1.30
Initial Capital Cost	US \$111 million
Cash Cost	US \$ 433 per oz
	<u>After-Tax</u>
Cash Flow (life of mine)	CAD\$ 414 million
Net Present Value (5%)	CAD\$ 280 million
Net Present Value (8%)	CAD\$ 222 million
	<u>Pre-Tax / After Tax</u>
Internal Rate of Return	47% / 38%
Payback Period (years)	2.3 / 2.7

Notes for mineral resource estimate:

- The mineral resource estimate was prepared by Sue Bird, P.Eng. in accordance with CIM Definition Standards and NI 43-101, with an effective date of February 28, 2019.
- A mineral resource is a concentration or occurrence of solid material of economic interest in the earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling.
- Mineral resources are reported within an underground mining shape targeting mineralization over 4.0 g/t. This target grade shell includes the following considerations: gold price of US\$1,300/oz, exchange rate of 0.77 US\$/CAD\$; payable gold percent of 99.9%, offsite refining costs of US\$7/oz, mining costs of CAD\$65.20/t, process costs of CAD\$62.70/t, general and administration costs of CAD\$37/t, sustaining capital costs of CAD\$19.83/t, and a 90.5% process recovery.
- An indicated mineral resource is that part of the mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of modifying factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation.
- An inferred mineral resource is that part of the mineral resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. It is reasonably expected that the majority of inferred mineral resources could be upgraded to indicated mineral resources with continued exploration.
- Factors that may affect the estimates include: metal price assumptions, changes in interpretations of mineralization geometry and continuity of mineralization zones, changes to kriging assumptions, metallurgical recovery assumptions, operating cost assumptions, confidence in the modifying factors, including assumptions that surface rights to allow mining infrastructure to be constructed will be forthcoming, delays or other issues in reaching agreements with local or regulatory authorities and stakeholders, and changes in land tenure requirements or in permitting requirement.

The net present values and life of mine net cash flows are shown at various discount rates. Cash costs include all costs to produce a gold-sulphide concentrate followed by bio-oxidation and CIL leaching process to produce doré gold bars at site. Given the inherent uncertainties of resources, especially inferred resources compared to reserves, the New Polaris gold mine project cannot yet be considered to have proven economic viability.

The project economics are most sensitive to variations in the gold price and least sensitive to changes in capital and operating costs, as shown by the following sensitivity analysis:

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<b>New Polaris Post Tax Cash Flow Sensitivity Analysis</b>					
Description of Sensitivity	Input	Cash Flow	NPV @ 5%	NPV @ 8%	IRR
		\$CA (000,000)	\$CA (000,000)	\$CA (000,000)	%
Gold Price	US\$1100/oz	\$271	\$172	\$129	26%
Gold Price	US\$1200/oz	\$342	\$226	\$175	32%
<b>Gold Price</b>	<b>US\$1300/oz</b>	<b>\$414</b>	<b>\$280</b>	<b>\$222</b>	<b>38%</b>
Gold Price	US\$1400/oz	\$486	\$335	\$268	43%
Gold Price	US\$1500/oz	\$558	\$389	\$315	48%
Exchange Rate (US\$/C\$)	0.85	\$318	\$208	\$160	30%
Exchange Rate (US\$/C\$)	0.81	\$364	\$242	\$189	34%
<b>Exchange Rate (US\$/C\$)</b>	<b>0.77</b>	<b>\$414</b>	<b>\$280</b>	<b>\$222</b>	<b>38%</b>
Exchange Rate (US\$/C\$)	0.73	\$471	\$323	\$258	42%
Exchange Rate (US\$/C\$)	0.69	\$535	\$371	\$299	47%
Gold Grade	Base - 10%	\$321	\$210	\$162	30%
Gold Grade	Base - 5%	\$368	\$245	\$192	34%
<b>Gold Grade</b>	<b>Base + 0%</b>	<b>\$414</b>	<b>\$280</b>	<b>\$222</b>	<b>38%</b>
Gold Grade	Base + 5%	\$461	\$316	\$252	41%
Gold Grade	Base + 10%	\$508	\$351	\$282	45%
Capital Costs	Base + 20%	\$377	\$246	\$188	30%
Capital Costs	Base + 10%	\$395	\$263	\$205	33%
<b>Capital Costs Initial US\$111M Sustaining US\$43M</b>	<b>Base + 0%</b>	<b>\$414</b>	<b>\$280</b>	<b>\$222</b>	<b>38%</b>
Capital Costs	Base - 10%	\$433	\$298	\$238	43%
Capital Costs	Base - 20%	\$452	\$315	\$255	49%
Operating Costs	Base + 20%	\$354	\$234	\$182	33%
Operating Costs	Base + 10%	\$384	\$257	\$202	35%
<b>Operating Costs \$164.95 \$/t</b>	<b>Base + 0%</b>	<b>\$414</b>	<b>\$280</b>	<b>\$222</b>	<b>38%</b>
Operating Costs	Base - 10%	\$445	\$304	\$242	40%
Operating Costs	Base - 20%	\$475	\$327	\$262	43%

Readers are cautioned that the effective date of New Polaris Preliminary Economic Report is February 28, 2019 (the "Effective Date"). Accordingly, the economic analysis contained in the New Polaris Preliminary Economic Report is based on commodity prices, costs, sales, revenue, and other assumptions and projections that may significantly change from the Effective Date, including a gold price of US\$1,300 per oz, CAD\$/US\$ foreign exchange rate of 0.77, and cash costs of US\$433 per oz. Readers should not place undue reliance on the economic analysis contained in the New Polaris Preliminary Economic Report because the Company cannot give any assurance that the assumptions underlying the report remain current.

The Qualified Person ("QP") pursuant to NI 43-101 for the New Polaris Preliminary Economic Report is Marc Schulte, P. Eng.

The mineral resource estimate in the New Polaris Preliminary Economic Report dated February 28, 2019 was based on ordinary kriging of 174 drill holes and 1,464 gold assay intervals with 1,320 m of drill intercepts within the modelled domains. Targeting mineralization over 4.0 gram per tonne (g/t) gold, a mining shape has delineated a mineral resource estimate:

- Indicated mineral resource totals 1,687,000 tonnes grading 10.8 g/t gold containing 586,000 oz gold.
- Inferred mineral resource totals 1,483,000 tonnes grading 10.2gpt gold containing 485,000 oz gold.



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The mine plan and run of mine production targets mineralization over 6.0 g/t gold within the 4.0 g/t resource shell, and uses a combination of conventional cut and fill and longhole stoping, depending on mineralization thickness and continuity. Development will include a decline from surface, extraction drifts on sublevels across the footwall of the orebody, and ventilation raises to the surface. An onsite mill will produce a float concentrate feeding a bio-leaching and CIL plant to produce doré. Process water will go through the ASTER treatment process and reclaim water will be stored in surface settling ponds near the plant.

Further details of the bio-oxidation and the New Polaris Preliminary Economic Report are provided in the Company's news releases:

- News release dated January 14, 2019 and titled, "*Canarc Achieves up to 96% Gold Recovery from BIOX Metallurgical Tests on High Grade New Polaris Project Flotation Concentrate*";
- News release dated March 4, 2019 and titled, "*Canarc Announces Robust Preliminary Economic Assessment on the New Polaris Gold Mine Delivering Post Tax IRR of 38%*"; and
- News release dated April 18, 2019 and titled, "*Canarc Announces the Filing of New Polaris Preliminary Economic Assessment Report*".

In September 2020, the Company was granted a multi year exploration permit to conduct exploration work on the property. Site preparation and refurbishment have been completed to facilitate environmental baseline study and infill drilling required to advance to a feasibility study. The camp and infrastructure will accommodate a 20 person field crew to facilitate further environmental, drilling and related activities. The Company has initiated twelve months of continuous environmental baseline studies which are required for an Environmental Assessment Certificate application and which is a critical first step in advancing the project through the BC mine permitting process.

For 2021, the Company plans to conduct a 47-hole, 24,000 meter infill drilling program to upgrade the Inferred Resources to an Indicated Resource category for inclusion in a future feasibility study.

### ***1.2.2 Purchase Agreement with American Innovative Minerals, LLC***

On March 20, 2017, the Company closed a Membership Interest Purchase Agreement (the "Membership Agreement") with American Innovative Minerals, LLC ("AIM") and securityholders of AIM ("the AIM Securityholders") to acquire either a direct or indirect 100% legal and beneficial interests in mineral resource properties located in Nevada, Idaho and Utah (USA) for a purchase price of \$2 million in cash and honouring pre-existing NSRs.

Certain mineral properties are subject to royalties. For the Fondaway Canyon project, it bears both a 3% NSR and a 2% NSR. The 3% NSR has a buyout provision for an initial amount of \$600,000 which is subject to advance royalty payments of \$35,000 per year by July 15<sup>th</sup> of each year until a gross total of \$600,000 has been paid at which time the NSR is bought out. A balance of \$425,000 was outstanding upon the closing of the Membership Agreement in 2017, and a balance of \$285,000 remains payable as at December 31, 2020. The 2% NSR has a buyout provision of either \$2 million in cash or 19.99% interest of a public entity which owns AIM if AIM were to close an initial public offering of at least \$5 million.

AIM owns 10 gold properties in Nevada of which two properties (Fondaway Canyon and Dixie Comstock) contain historic gold resource estimates, and owns one gold property in Idaho, and has two royalty interests on other properties. These properties include the following:

- **Fondaway Canyon** is an advanced exploration stage gold property located in Churchill County, Nevada. The land package contains 136 unpatented lode claims. The property has a history of previous surface exploration and mining in the late 1980s and early 1990s. The Fondaway Canyon district consists of shear-zone style gold mineralization developed along 3.7 km of strike with a width of up to 900 m. Multiple exploration targets exist along major structural zones, and mineralization is locally concealed by alluvial cover.

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- **Dixie Comstock**, also located in Churchill County, Nevada, consists of 26 unpatented lode claims. The property contains a range-front epithermal gold deposit with a non-43-101 compliant resource of 146,000 ounces of gold at 1.063 grams per tonne Au.
- **Clear Trunk** property is located in Pershing and Humboldt Counties, Nevada on 4,500 acres of fee mineral and unpatented claims in the Sonoma Range, south of Winnemucca and near the Goldbanks gold deposit. The property contains gold-bearing epithermal quartz veins, mesothermal quartz veins with high-grade gold and copper-gold intrusion-hosted mineralization.
- **Bull Run** property is located in Elko County, Nevada on two large patented claim groups of 500 acres near the Jerritt Canyon gold district.
- **Jarbidge** property is located in Elko County, Nevada on 8 patented claims along the east end of major gold veins in the Jarbidge mining district.
- **Hot Springs Point** property is located in Eureka County, Nevada on 160 acres of fee land on north end of the prolific Cortez Trend. Hecla Mining claims surround the project on three sides.
- **Silver King** property is located in Humboldt County, Nevada on 4 patented claims in the Iron Point mining district. Previous exploration focused on low grade gold values but the property was never been explored for silver.
- **A&T** property is located in Humboldt Co., Nevada on 2 patented claims on Winnemucca Mountain. The property contains gold-bearing veins in altered shale.
- **Eimis** property is located in Elko County, Nevada on one 20 acre patented claim adjacent to the Coleman Canyon gold deposit controlled by Arnevet Resources Nevada LLC ("Arnevet"). Gold anomalies extend onto Eimis property and Arnevet holds a 20 year lease to explore on the property since 2010.
- **Silver Peak** property is located in Esmeralda County, Nevada on 3 patented (57 acres) and 3 unpatented mining claims covering 50 acres. The property is adjacent to the Mineral Ridge mine controlled by Scorpio Gold Corporation. The 3 unpatented mining claims are under agreement with Legacy Mining to pay \$1,000 at commencement of mining and an 8% NSR.
- **Lightning Tree** property is located in Lemhi County, Idaho on 4 unpatented claims near the Musgrove gold deposit.
- **Tucker** property is located in Madison County, Montana on 3 unpatented claims near the historic McKee Mine of the Washington mining district. The property is under agreement with Legacy Mining to pay \$1,000 at commencement of mining and an 8% NSR.

In April 2017, the Company commissioned Techbase International, Ltd ("Techbase") of Reno, Nevada to complete a technical Report for the Fondaway Canyon Project. The resource estimate was prepared by Michael Norred, SME Registered Member 2384950, President of Techbase, and Simon Henderson, MSc, MAusIMM CP 110883 (Geology), Consulting Geologist with Wairaka Rock Services Limited of Wellington, New Zealand, both Qualified Persons ("QP"), as such term is defined under NI 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101"). The resource estimate included in the technical report is shown in the table below:

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Resource Category	Tonnes <sup>1</sup> (t)	Grade (g/t) Au	Ounces <sup>2</sup> (oz) Au	Type
Indicated	2,050,000	6.18	409,000	UG/Sulfide
Inferred	3,200,000	6.40	660,000	UG/Sulfide
<sup>1</sup> Resource based on cut-off of 1.8m horizontal width $\geq$ 3.43 g/t				
<sup>2</sup> Rounding differences may occur				

1. *CIM Definition Standards were followed for reporting the Mineral Resource estimates.*
2. *Mineral Resources are reported on a dry, in-situ basis. A bulk density of 2.56 tonnes/m<sup>3</sup> was applied for volume to tonnes conversion.*
3. *The reporting cutoff grade of 3.43 g/t was based on capital and operating costs for a similar project, the three-year trailing average Au price of \$US 1,225/ oz Au , a metallurgical recovery of 90%, and an underground mining method suitable for steeply-dipping veins.*
4. *Mineral Resources are estimated from surface to approximately 400 m depth.*
5. *The quantity and grade of Inferred Resources in this estimate are uncertain in nature, there has been insufficient exploration to define these Inferred Resources as an Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category. Environmental, geotechnical, permitting, legal, title, taxation, socio-political, marketing or other relevant issues could materially affect the mineral resource estimate.*

The Fondaway Canyon mineralization is contained in a series of 12 steeply dipping, en-echelon quartz-sulfide vein-shear zones outcropping at surface and extending laterally over 1200 m and vertically to depths of > 400m. The Paperweight, Half-moon and Colorado zones host the bulk of the resources, with the remainder in parallel veins or splays of the major vein-shears. A total of 591 historic drill holes were validated for resource estimation, with coordinate information and down hole assays. These included 8411 m of core drilling in 49 holes and 40,675 m of RC drilling in 551 holes. Drill core was inspected at the Fallon, NV storage facility and assay certificates were viewed to verify gold intercept grades used in the estimate. Check assays were run systematically on approximately 5% of the total assays, including 23% of assays greater than 3.43 g/t. Duplicate assays were run on slightly less than 1% of the total assays, including 14% of assays greater than 3.43 g/t. Consistency was good for the check assays and duplicates, with correlations greater than 98% in each case. A mineral resource was estimated for each vein using polygonal estimation on drill intercepts projected onto a vertical long-section parallel to the average strike direction of that vein. The polygons were truncated at faults that were interpreted to limit the extent of the mineralization. The mineral resources are reported at a cut-off of 3.43 g/t, over a minimum horizontal width of 1.8 m, based on projects of similar size, a gold price of \$US 1,225 per oz, a metallurgical recovery of 90%, and an underground mining method suitable for steeply-dipping veins. A processing method has not yet been selected. Metallurgical testing showed that acceptable recoveries could be obtained from the sulfide material by using an oxidizing pre-treatment, followed by CIL leaching, with recoveries up to 86 to 95%. Further metallurgical testing and design work will be needed in order to design the most cost-effective method. No capping or cutting of grades was applied. The assayed grades were found to be very consistent when compared to check assays and duplicates, as well as between twinned holes. The consistency in assay results was interpreted as being due to the very fine-grained nature of the gold mineralization (1 to 10  $\mu$ m). This consistency provided confidence that the higher-grade assays were reasonable.

In the second quarter of 2017, the Company completed 92 surface rock chip sampling and mapping program which returned several high grade gold values.

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In the fourth quarter of 2017, the Company completed an initial 7-hole, 2500-meter core-drilling program at the Fondaway Canyon project. All seven holes intersected gold mineralization. The 2017 drilling results, integrated with historical drilling, indicate the project has bulk-mineable, open-pit potential, as opposed to the underground mining of narrow high-grade zones that was the focus of previous project owners.

Further details of the drilling program for the Fondaway Canyon project are provided in the Company's news releases:

- News Release dated December 5, 2017 and titled, "*Canarc Intersects Significant Gold Mineralization in First Three Drill Holes at Fondaway Canyon Project in Nevada, Including 2.83 Grams per Tonne Gold over 65.4 Meters*"; and
- News Release dated January 16, 2018 and titled, "*Canarc Continues to Intersect High-Grade Gold at Fondaway Canyon, Nevada, Including 3.24 Grams per Tonne Gold over 12.8 Meters*".

In 2018, the Company completed 3D modelling of the Fondaway Canyon deposit and identified drill targets for the next stage of diamond drilling. Surface mapping and sampling program on the property and trenching in the Reed Pit continue to better define possible high-grade gold mineralization and to refine targets for the next phase of exploration drilling.

### *1.2.2.a Fondaway Canyon and Dixie Comstock properties (Nevada, USA):*

On October 16, 2019, the Company signed a binding Letter Agreement with Getchell Gold Corp. ("Getchell") which was later superseded by the Option Agreement for the Acquisition of Fondaway Canyon and Dixie Comstock Properties on January 3, 2020, whereby Getchell has an option for 4 years to acquire 100% of the Fondaway Canyon and Dixie Comstock properties located in Churchill County, Nevada (both subject to a 2% NSR) for \$4 million in total compensation to the Company, comprised of \$2 million in cash and \$2 million in shares of Getchell. The option includes minimum annual work commitments totalling \$1.45 million on the properties. Getchell must also honor the pre-existing NSR and advance royalty commitments related to the properties, and grant the Company a 2% NSR on the Fondaway Canyon and Dixie Comstock properties of which half (1%) can be bought for \$1 million per property.

Getchell completed a six hole, 1,996 metre diamond drill program in 2020. Further details of the drilling program by Getchell for the Fondaway Canyon project are provided in the Company's news releases:

- News Release dated January 27, 2021 and titled, "*Canagold Optionee Getchell Gold Corp. Reports Broad High-Grade Gold Drill Intercepts at Fondaway Canyon, Nevada*"; and
- News Release dated February 10, 2021 and titled, "*Canagold Optionee Getchell Gold Extends Gold Mineralization Zones at Fondaway Canyon Project, Nevada*".

### *1.2.2.b Silver King (Nevada, USA)*

On October 25, 2018, the Company entered into an option agreement with Brownstone Ventures (US) Inc., a subsidiary of Casino Gold Corp., ("Brownstone Ventures") on the Company's wholly owned Silver King patented claim group located in Humboldt County, Nevada. Under the terms of the ten-year agreement, the Company will receive annual payments of \$12,000 plus an option exercise payment of \$120,000. Upon exercise of the option, the Company will retain a 2% NSR royalty on the property of which Brownstone Ventures will have the right to buy back one-half (1%) of the royalty for \$1 million. The Silver King property is a non-core asset in the Company's Nevada property portfolio.

Silver King property is located in Humboldt County, Nevada on 4 patented claims near Golconda Summit. Previous exploration focused on low grade gold values but the property was never been explored for silver.

### *1.2.2.c Lightning Tree (Idaho, USA)*

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In early July 2020, the Company entered into a non-binding letter of intent for its Lightning Tree property located in Lemhi County, Idaho, with Ophir Gold Corp. (formerly, MinKap Resources Inc.) ("Ophir"), whereby Ophir shall acquire a 100% undivided interest in the property. On September 10, 2020, a definitive mineral property purchase agreement was executed. Over a three year period, Ophir shall pay to the Company a total of CAD\$137,500 in cash over a three year period and issue 2.5 million common shares and 2.5 million warrants over a two year period, and shall incur aggregate exploration expenditures of at least \$4 million over a three year period. If Ophir fails to incur the exploration expenditure, the property reverts back to the Company. The Company will retain a 2.5% NSR of which a 1% NSR can be acquired by Ophir for CAD\$1 million. If Ophir fails to file a NI 43-101 compliant resource on the Lightning Tree property within three years, the property will revert back to the Company.

Lightning Tree property is located in Lemhi County, Idaho on 4 unpatented claims near the Musgrove gold deposit.

### **1.2.3 Windfall Hills property (British Columbia, Canada)**

In April 2013, the Company acquired 100% undivided interests in two adjacent gold properties (Uduk Lake and Dunn properties) located in British Columbia. The Uduk Lake properties are subject to a 1.5% NSR production royalty that can be purchased for CAD\$1 million and another 3% NSR production royalty. The Dunn properties are subject to a 2% NSR royalty which can be reduced to 1% NSR royalty for \$500,000.

The Windfall Hills gold project is located 65 km south of Burns Lake, readily accessible by gravel logging roads and a lake ferry crossing in the summer-time, or by charter aircraft year-round. The project consists of the Atna properties, comprised of 2 mineral claims totalling 959 hectares and the Dunn properties, comprised of 8 mineral claims totalling 2820 hectares.

From 2016 to 2018, the Company completed a broader exploration program which included reconnaissance stream sediment sampling, soil sampling, machine trenching and ground and airborne geophysical surveys to detect new gold-silver anomalies on the property and to better delineate the known epithermal stock-work gold-silver mineralization and define drill targets.

In the third quarter of 2020, the Company completed a Phase 2 diamond drill program. Six drill holes were completed for a total of 1,500 meters of core over an area of 30 hectares designed to follow up from gold-silver mineralization intersected in the 2014 Phase 1 drill holes. Further analysis of the structural and lithological controls on mineralization are needed to determine the next steps for the Windfall Hills property. The Company may seek a partner to advance the project.

Further details of the drilling program for the Windfall Hills project can be found on the following news release on Canagold's SEDAR profile:

- News Release dated October 21, 2020 and titled, "*Canarc Announces Results of its Special General Meeting of Shareholders Approving Upsized Financing Totaling CAD\$8.4 Million*".

### **1.2.4 Princeton property (British Columbia, Canada)**

In December 2018 and then as amended in June 2019, the Company entered into a property option agreement jointly with Universal Copper Ltd. (formerly, Tasca Resources Ltd.) ("Universal") and an individual whereby the Company has an option to earn a 75% interest in the Princeton property by: incurring exploration expenditures of CAD\$490,000 over a two year period; issuing 375,000 common shares to Universal by December 1, 2019 (issued); paying CAD\$25,000 cash to Universal by March 16, 2021; granting a 1% NSR to Universal which can be acquired for CAD\$1 million; and honoring a 2% NSR to the individual of which 1% NSR can be acquired for CAD\$1 million.

In October 2020, the Company assigned its interest in the property option agreement for the Princeton property to Damara Gold Corp. ("Damara"). Pursuant to the assignment, Damara issued 9.9% of its outstanding common shares to the Company on closing of the assignment. Subject to the exercise of the option by December 31, 2021, the Company's aggregate ownership

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in the capital of Damara shall increase to 19.9%. Damara shall incur exploration expenditures of CAD\$300,000 by December 31, 2020.

The Princeton gold property consists of 22 mineral claims over 14,650 hectares located 35 kilometers (km) south of Princeton, British Columbia, and is readily accessible by road. The property contains quartz veins with high grade gold (> 10 g/t) hosted in Triassic Nicola Group metasedimentary and metavolcanic rocks intruded by undated granitic dikes and stocks.

In 2018, the Company completed a 2,350 line-kilometer aeromagnetic survey on the property to assist in its geologic evaluation. The survey covered about 16 km by 10 km, extending well beyond the known area of gold vein mineralization. In July 2019, the Company reviewed the results of the survey and the results were used to delineate geologic units, including intrusive rocks, and to clarify the broad geologic setting and structural fabric of the area that helped identify and prioritize exploration targets.

In July 2019, the Company commenced an exploration program of general prospecting, mapping, sampling and trenching of existing gold vein prospects, as well as evaluating whether additional geophysical methods might be utilized to detect buried veins. The program included a machine trenching program in the area of the main gold vein prospect. The trenching was to test a much broader area than was trenched in late 2018 and was to attempt to trace the previously-trenched main vein along strike as well as explore for adjacent veins, particular in areas of mineralized float.

### ***1.2.5 Hard Cash and Nigel (Nunavut, Canada)***

In November 2018, the Company entered into a property option agreement with Silver Range Resources Ltd. ("Silver Range") whereby the Company had an option to earn a 100% undivided interests in the Hard Cash and Nigel properties by paying CAD\$150,000 in cash and issuing 1.5 million common shares to Silver Range over a four year period. Silver Range retains a 2% NSR of which a 1% NSR can be acquired for CAD\$1 million. Silver Range shall also be entitled to receive \$1 per Au oz of measured and indicated resource estimate and \$1 per Au oz of proven or probable reserve estimate, payable in either cash or common shares of the Company at the Company's election.

Hard Cash is located 400 km west of Arviat, Nunavut on the shores of Ennadai Lake. There is an all-weather gravel strip at Ennadai Lake Lodge, 25 km south-southwest of the property and local access is by float plane or helicopter. Nigel is located 15 km west of Hard Cash. Hard Cash is underlain by the Ennadai Greenstone Belt of the Churchill Province. Gold mineralization at Hard Cash and Nigel occurs in high grade quartz veins and lower grade shear zones hosted by basal mafic volcanics overlain by felsic volcanics metamorphosed to upper greenschist/lower amphibolite facies and intruded by granite.

The Company's consulting geologist visited the property in September 2018 and collected samples in quartz vein float and outcrop at and near the Swamp showing. In January 2019, the Company completed a 970 line-km airborne magnetic and radiometric survey over the 2,090 hectare Hard Cash property. In June 2019, geophysical modelling and interpretation were completed, followed by geological and structural interpretation. In July 2019, the Company completed a district-scale soil survey (approximately 500 samples), geologic mapping and rock-chip sampling (approximately 100 samples). The results of the 2019 work programs clarified the broad geological and structural controls on gold mineralization and identified and prioritized drill targets.

In the third quarter of 2020, the Company completed a Phase 1, 7-hole 1,000 meter reverse circulation ("RC") drill program on the priority targets at the Swamp and Dryland showings. The results of the RC drilling confirmed a significant strike length to the previously identified gold mineralization of at least 1.5km. However the grades and widths of mineralized intervals were not indicative of a significantly mineralized system. Based on this outcome, the Company has taken the decision not to proceed further with the option agreement with Silver Range at Hard Cash and Nigel properties, and accordingly wrote off its interests in 2020.

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Further details of the drilling program for the Hard Cash project can be found on the following news release on Canagold's SEDAR profile:

- News Release dated November 17, 2020 and titled, "*Canarc Reviews Exploration Results, Terminates Option Agreement on Hard Cash and Nigel Properties in Nunavut*".

### **1.2.6 Corral Canyon property (Nevada, USA)**

In 2018, the Company staked 92 mining claims covering 742 hectares in Nevada, USA.

Corral Canyon property lies 35 km west of the town of McDermitt in Humboldt County along the western flank of the McDermitt caldera complex, an area of volcanic rocks that hosts significant lithium and uranium mineralization in addition to gold. It contains volcanic-hosted, epithermal, disseminated and vein gold mineralization evidenced by previous drilling.

In the first half of fiscal 2019, the Company had completed detailed geologic mapping, a district-scale soil sampling program, rock-chip sampling, re-logging of previous core holes and an analysis of historical geophysical data in an effort to identify drill targets to expand on the known gold mineralization. In the third quarter of 2019, four high priority targets were identified on the property. In November 2019, a five hole, 1600 meter drilling program was completed. Further details of the drilling program for the Corral Canyon project are provided in the Company's news release dated November 28, 2019 and titled, "*Canarc Completes Phase 1 Drill Program at Corral Canyon, Nevada*".

The Company is seeking a partner to drill identified targets on the property.

### **1.2.7 Eskay Creek property (British Columbia, Canada)**

In December 2017, the Company signed an agreement with Barrick Gold Inc ("Barrick") and Skeena Resources Ltd. ("Skeena") involving the Company's 33.3% carried interest in certain mining claims adjacent to the past-producing Eskay Creek Gold mine located in northwest British Columbia, whereby the Company will retain its 33.33% carried interest. The Company and Barrick have respectively 33.33% and 66.67% interests in 6 claims and mining leases totaling 2323 hectares at Eskay Creek. Pursuant to an option agreement between Skeena and Barrick, Skeena has the right to earn Barrick's 66.67% interest in the property which right had been exercised in October 2020. The Company had written off the property in 2005.

Dr. Jacob Margolis was the qualified person, as defined by National Instrument 43-101, and had approved the technical information from the drilling programs for the Fondaway and Corral Canyon projects. Dr. Margolis was formerly engaged as a consultant to the Company as Vice-President (Exploration) at that time. Garry Biles, PEng, President and Chief Operating Officer of the Company, was the qualified person, as defined by National Instrument 43-101, and had approved the technical information from the drilling programs for the Fondaway Canyon, Windfall Hills and Hard Cash projects.

### **Other Matters**

In June 2020, Mr. Troy Gill replaced Dr. Jacob Margolis as VP Exploration. In July 2020, Mr. Kai Hoffmann resigned as a Director of the Company. In August 2020, Mr. Andrew Bowering joined the Board of Directors of the Company.

In October and November 2020, the Company closed a private placement in two tranches totalling 21 million units at a price of CAD\$0.40 per unit for gross proceeds of CAD\$8.4 million with each unit comprised of one common share and one-half of one common share purchase warrant; each whole warrant is exercisable to acquire one common share at an exercise price of CAD\$0.65 per share for a period of two years. On October 7, 2020, the Company closed the first tranche for 8 million units for gross proceeds of CAD\$3.2 million. On November 12, 2020, the Company closed the second tranche for 13 million units

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for gross proceeds of CAD\$5.2 million; the second tranche received interested and disinterested shareholder approvals at the Company's special general meeting held on October 19, 2020. Finders fees included CAD\$176,400 in cash and 385,200 warrants with the same terms as the underlying warrants in the private placement. If the closing market price of the common shares is at a price equal to or greater than CAD\$1.00 for a period of 10 consecutive trading days on the Toronto Stock Exchange, the Company will have the right to accelerate the expiry date of the warrants by giving written notice to the warrant holders that the warrants will expire on the date that is not less than 30 days from the date notice is provided by the Company to the warrant holders.

Effective December 8, 2020, the Company changed its name from Canarc Resource Corp. to Canagold Resources Ltd. and consolidated its share capital on the basis of five pre consolidation common shares for one post share consolidation share.

In fiscal 2020, the Company granted the following stock options:

- 760,000 stock options to directors, officers and employees with an exercise price of CAD\$0.50 and an expiry date of June 29, 2025, and which are subject to vesting provisions in which 25% of the options vest immediately on the grant date and 25% vest every six months thereafter; and
- 80,000 stock options to a director with an exercise price of CAD\$0.55 and an expiry date of August 19, 2025, and which are subject to vesting provisions in which 25% of the options vest immediately on the grant date and 25% vest every six months thereafter.

### 1.3 Selected Annual Information

The consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB.

(in \$000s except per share amounts)	Years ended December 31,		
	2020	2019	2018
Total revenues	\$ -	\$ -	\$ -
Loss before discontinued operations and extraordinary items:			
(i) Total	\$ (1,708)	\$ (1,043)	\$ (1,125)
(ii) Basic per share	\$ (0.03)	\$ (0.02)	\$ (0.03)
(iii) Fully diluted per share	\$ (0.03)	\$ (0.02)	\$ (0.03)
Net loss:			
(i) Total	\$ (1,708)	\$ (1,043)	\$ (1,125)
(ii) Basic per share	\$ (0.03)	\$ (0.02)	\$ (0.03)
(iii) Fully diluted per share	\$ (0.03)	\$ (0.02)	\$ (0.03)
Total assets	\$ 23,640	\$ 18,314	\$ 17,511
Total long-term liabilities	\$ 136	\$ 162	\$ 130
Dividends per share	\$ -	\$ -	\$ -

### 1.4 Results of Operations

*Fourth Quarter of Fiscal 2020 – Year ended December 31, 2020 compared with December 31, 2019*



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The Company incurred a net loss of \$1.7 million for the year ended December 31, 2020 which is higher than the net loss of \$1.0 million for fiscal 2019, with the former having higher operating expenses. Net losses were impacted by different functional expense items.

The Company has no sources of operating revenues. Operating losses were incurred for ongoing activities of the Company in acquiring and exploring its mineral property interests, advancing the New Polaris property, and pursuing mineral projects of merit.

Amortization is for the leasehold improvements and office furnishings and equipment as well as for the right of use asset from the adoption of new accounting standard for leases under IFRS 16 effective January 1, 2019. The fair value of the right to use asset was significant in comparison to the other equipment categories. There were equipment acquisitions in 2020 and 2019, which would generally lead to higher amortization in subsequent periods.

Corporate development expenses were higher in the third quarter of 2020 than prior quarters. The active exploration programs for geophysics in the fourth quarter of 2018 continued into the first quarter of 2019 and the revision to the preliminary economic assessment for the New Polaris project reduced efforts to seek new projects. Corporate development activities increased in the second quarter of 2019 to review possible projects of merit in North America whilst the Company's exploration programs were pending mobilization in the third quarter of 2019 and pending the flow through private placement which closed in July 2019. Such efforts in the third quarter of 2019 involved only nominal technical management review and assessment of new projects. In the fourth quarter of 2019, corporate development increased by travel related costs by non technical management in pursuing projects of merit in the USA and Europe. Technical management review of projects in Canada and US was performed in first quarter of 2020 along with associated travel expenses as exploration programs for the Company's mineral projects were still being planned and not yet implemented which continued into the second quarter whilst the exploration permits were still pending. In the following third quarter of 2020, surface taxes were incurred for the Company's non material properties, one of which was sold pursuant to a definitive property purchase agreement. Management did conduct technical project reviews in the third and fourth quarters of 2020, but were minimal given two active drilling programs for Windfall Hills and Hard Cash properties and camp rehabilitation and environmental monitoring for New Polaris property.

Remuneration for employees in 2020 was higher than in 2019. Employee remuneration directly related to mineral exploration projects and corporate development were allocated to those specific activities rather than to operations. In the first quarter of 2019, the Company continued with exploration programs for the Hard Cash and Princeton properties which were implemented in late 2018, as well as proceeded with updating the preliminary economic assessment for the New Polaris property which was filed in April 2019. In June 2019, prorated severance was paid to a senior officer who reduced his employment status, effectively increasing remuneration in the quarter. In the fourth quarter of 2019, remuneration increased due to the reduced exploration activity on the Company's mineral property interests which were completed in earlier months and from banked vacation days for employees. The reduced employment status in June 2019 and weaker CAD\$ both contributed to lower remuneration in first quarter of 2020 in relation to the same quarter in 2019, even though higher allocations were realized for active exploration programs in early 2019. Bonuses were paid in the second quarter but were adjusted in the third quarter of 2020 which increased remuneration relative to the first quarter of 2020 and the comparable quarter in 2019. A new technical senior officer was employed in June 2020. Bonus accruals were recognized for 2020 given the Company achieved significant financings to advance its New Polaris project and management had been able to option out the Company's non material properties in exchange for shares which shares significantly increase in market price by year end. No director stipends were payable in the first and second quarters of 2020 but were reinstated for the third quarter of 2020 based upon a fixed quarterly amount rather than a matrix involving Board committee appointments.

Overall general and administrative expenses were higher in 2020 than in 2019. All segments of these expenses were higher in the current year relative to the prior comparative year. Audit fees represent the discrepancies from year end audit and tax accruals in 2019 with slight increase in audit fees in 2020 due to increased corporate activities from exploration programs, financings and corporate reorganization. Legal fees were higher in first quarter of 2019 for review of continuous disclosure documents with no such services being rendered in the remaining quarters of 2019 and in the first and second quarters of 2020.

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In the third quarter of 2020, legal fees were higher due to negotiations in the sale of the Lightning Tree property. Legal fees were also incurred for the name change and share consolidation which were in effect in December 2020. Except for foreign exchange translational effects, general and administrative and regulatory expenses do not tend to fluctuate given their fixed nature but would increase in the second quarter as the Company normally holds its annual general shareholders meeting in June of each fiscal year. Cloud server migration was initiated in the third quarter of 2020 and continued into the fourth quarter which included software application setup and licenses, data and emails. Premiums for directors and officers liability insurance have escalated due to mitigating factors within the insurance industry and also the additional liability insurance coverage as the Company progresses with the advancement of the New Polaris project. Office rent would only fluctuate due to changes in operating costs and property taxes but such amount increased effective August 2020 pursuant to the office lease.

In January 2019, the Company engaged a part time shareholder communications consultant to focus on creating market awareness of the Company, its portfolio of exploration projects with active exploration programs, and the revised preliminary economic assessment for its New Polaris project, and such consultant services continued into the remaining quarters of 2019 and into 2020. Given the global pandemic of COVID 19, shareholder relations efforts were kept to a reduced level in the latter half of the first quarter of 2020 which continued into the remaining quarters with associated reduction in the part-time shareholder communications consultant. In the third quarter of 2020, shareholder relations increased significantly to raise the profile and market awareness of the Company and continued into the fourth quarter, as commodity prices increased and the mobilization of drilling programs for two of its properties and its financing and proposed corporate restructuring in part to advance the Company's New Polaris project. Such activities contributed to renewed interest in the Company by overseas investors in Europe as its initial financing of CAD\$3.2 million was over subscribed to CAD\$8.4 million with the over allotment of CAD\$5.2 million being subject to shareholder approvals which were resolved at the special general meeting held in October 2020.

Share-based payments were higher in the latter half of 2020 relative to prior quarters, with ongoing vesting provisions of certain outstanding stock options. In the first quarter of 2019, 200,000 stock options were granted and then in the second quarter, 550,000 stock options were granted. These stock option grants are subject to vesting provisions in which 20% of the options vest immediately on the grant date and 20% vest every six months thereafter. There were nominal forfeitures recognized at the end of September 2019 for unvested stock options due to a staff departure. In the first quarter of 2020, revaluations for stock options held by consultants slightly reduced share based payments. In the second quarter of 2020, 760,00 stock options were granted which were subject to 25% vesting provisions on grant date and every six months thereafter. Then in the third quarter, 80,000 stock options were granted which were subject to 25% vesting provisions on grant date and every six months thereafter. The resignation of a director in July 2020 resulted in forfeitures which reduced the expense. The increased vesting provisions, number of stock option grants and the number of stock options being subject to vesting provisions contributed to the higher share based payments in the last two quarters for 2020.

Interest income is earned from the Company's premium investment savings account which is interest bearing. The Company's cash resources are expended on mineral exploration and operating activities, given the Company does not have any sources of revenues or operating cash inflows, which can be expected to reduce interest bearing investments. As cash resources are expended, interest income can be expected to be commensurately lower. Interest income was comparable in the first quarters of 2020 and 2019 as cash resources increased from the closing of the private placement in July 2019 for proceeds of CAD\$1.4 million most of which were invested in the premium investment savings account but would be gradually depleted from flow through exploration expenditures. During the latter part of the first quarter of 2020 and into the second and third quarters, interest rate fell further causing interest income to be lower than comparable prior quarters. Funds from the private placement marginally improved low interest bearing investments.

Change in the fair value of marketable securities is attributable to disposition of marketable securities, the quoted market price changes in investments in shares, and impairment if any. Marketable securities are classified as financial assets at fair value through profit or loss with any resulting gains or losses in fair values being recognized in profit or loss. The Company did dispose a significant portion of its marketable securities in the second quarter of 2019 which resulted in losses but was offset by gains in market prices for remaining shares of marketable securities. There were no dispositions in the other quarters of 2019 including the first two quarters of 2020 whereas dispositions occurred in the third quarter which provided proceeds of

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\$296,000. Nominal reductions in fair values were recognized in the third quarter and more significant reductions in the fourth quarter of 2019. The COVID 19 pandemic has caused adverse global economic impact with similar negative effects to capital markets in the first quarter of 2020, resulting in reductions in the fair values of the Company's marketable securities. Precious metal prices surged in the remaining quarters in 2020 reaching new highs, causing the market prices of certain investments to significantly increase by 2020 year end and the recognition of net earnings in the fourth quarter. This is also compounded by the substantial number of shares which the Company received for the various properties which were optioned or sold to other parties as the fair values of such shares were \$1.3 million at year end.

Flow through financing costs in 2020 is attributable to the tax payable for Part XII.6 tax for using the look back rule for qualified exploration expenditures.

Interest expense was incurred and accrued for the buyout amount which the Company recognized as a deferred royalty liability upon the acquisition of AIM in March 2017 for the 3% NSR for the Fondaway Canyon project; the original buyout amount was \$600,000. Advance royalty payments of \$35,000 are due and payable by July 15<sup>th</sup> of each year until the buyout amount has been fully paid for the 3% NSR for the Fondaway Canyon project. Interest expense shall continue to be incurred until the buyout amount has been fully paid by the annual advance royalty payments. Interest expense is also recognized for fair value of the lease liability for right of use asset for its office facilities, over the term of the lease. Periodic installment payments would reduce the recognition of interest expense during the term of these financial obligations.

Foreign exchange gain or loss reflects the transactional impact from the foreign exchange fluctuations of the US\$ relative to the CAD\$ and the translation effects to the Company's functional currency which is the CAD\$; its reporting or presentation currency is the US\$. Foreign exchange was affected by the translation effects of the US\$ for the Company's wholly owned US subsidiaries. The weakened CAD\$ relative to the US\$ resulted in the foreign exchange loss in the first quarter of 2020 but reversed in the remaining quarters as the CAD\$ strengthened.

The Company terminated the property option agreement for the Hard Cash and Nigel properties, and accordingly wrote off its interests in the third quarter of 2020. The cash and fair values of the shares and warrants received in the fourth quarter for the Princeton, Silver King and Lightning Tree properties would offset the write off. The recovery in 2019 was offset by the write off of another project which did not advance and was impaired.

The income tax recovery in the third and fourth quarters of 2019 is the allocation of the premium in the flow through private placement which closed in July 2019 on a pro rata basis of qualified exploration expenditures incurred during the period. Income tax recovery for the remaining flow through premium was recognized for the pro rata flow through exploration expenditures incurred in 2020 as the Company was initiated and completed its drilling programs for Windfall Hills and Hard Cash properties, especially in the third quarter with active drilling programs.

As at December 31, 2020, the Company has mineral property interests which are comprised of the following:

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(\$000s)	Canada					USA		Other	Total
	British Columbia			Nunavut		Nevada			
	New Polaris	Windfall Hills	Princeton	Hard Cash	Nigel	Fondaway Canyon	Corral Canyon		
<b>Acquisition Costs:</b>									
Balance, December 31, 2018	\$ 3,888	\$ 344	\$ -	\$ 9	\$ 2	\$ 2,010	\$ 23	\$ 10	\$ 6,286
Additions	18	-	20	21	3	-	-	-	62
Recovery	-	-	-	-	-	-	-	(3)	(3)
Foreign currency translation adjustment	8	17	-	1	-	102	1	-	129
Write off	-	-	-	-	-	-	-	(7)	(7)
Balance, December 31, 2019	3,914	361	20	31	5	2,112	24	-	6,467
Additions	9	-	8	-	-	-	-	-	17
Recoveries	-	-	-	-	-	(513)	-	-	(513)
Foreign currency translation adjustment	4	7	-	1	-	42	1	-	55
Write off	-	-	(28)	(32)	(5)	-	-	-	(65)
Balance, December 31, 2020	3,927	368	-	-	-	1,641	25	-	5,961
<b>Deferred Exploration Expenditures:</b>									
Balance, December 31, 2018	5,778	630	69	120	-	1,353	1	-	7,951
Additions, net of recoveries	133	8	116	211	-	159	501	-	1,128
Foreign currency translation adjustment	427	32	3	6	-	68	1	-	537
Balance, December 31, 2019	6,338	670	188	337	-	1,580	503	-	9,616
Additions	183	361	7	746	-	38	33	-	1,368
Recoveries	-	-	-	-	-	(81)	-	-	(81)
Foreign currency translation adjustment	162	15	5	7	-	36	21	-	246
Write off	-	-	(200)	(1,090)	-	-	-	-	(1,290)
Balance, December 31, 2020	6,683	1,046	-	-	-	1,573	557	-	9,859
<b>Mineral property interests:</b>									
Balance, December 31, 2019	\$ 10,252	\$ 1,031	\$ 208	\$ 368	\$ 5	\$ 3,692	\$ 527	\$ -	\$ 16,083
Balance, December 31, 2020	10,610	1,414	-	-	-	3,214	582	-	15,820

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### 1.5 Summary of Quarterly Results (Unaudited)

The following table provides selected financial information of the Company for each of the last eight quarters ended at the most recently completed quarter, December 31, 2020. All dollar amounts are expressed in U.S. dollars unless otherwise indicated.

(in \$000s except per share amounts)	2020				2019			
	Dec 31	Sept 30	June 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income (loss) before discontinued operations and extraordinary items:								
(i) Total	\$ 95	\$ (1,457)	\$ (49)	\$ (297)	\$ (341)	\$ (186)	\$ (356)	\$ (160)
(ii) Basic per share	\$ -	\$ (0.03)	\$ -	\$ (0.01)	\$ (0.01)	\$ -	\$ (0.01)	\$ -
(iii) Fully diluted per share	\$ -	\$ (0.03)	\$ -	\$ (0.01)	\$ 0.01	\$ -	\$ (0.01)	\$ -
Net income (loss):								
(i) Total	\$ 95	\$ (1,457)	\$ (49)	\$ (297)	\$ (341)	\$ (186)	\$ (356)	\$ (160)
(ii) Basic per share	\$ -	\$ (0.03)	\$ -	\$ (0.01)	\$ (0.01)	\$ -	\$ (0.01)	\$ -
(iii) Fully diluted per share	\$ -	\$ (0.03)	\$ -	\$ (0.01)	\$ 0.01	\$ -	\$ (0.01)	\$ -
Total assets	\$ 23,640	\$ 18,163	\$ 17,208	\$ 16,612	\$ 18,314	\$ 18,189	\$ 17,559	\$ 17,673
Total long-term liabilities	\$ 136	\$ 130	\$ 164	\$ 162	\$ 162	\$ 161	\$ 200	\$ 192
Dividends per share	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

### 1.6 Liquidity

The Company is in the exploration stage and has not yet determined whether its mineral property interests contain reserves. The recoverability of amounts capitalized for mineral property interests is entirely dependent upon the existence of reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production. The Company knows of no trends, demands, commitments, events or uncertainties that may result in the Company's liquidity either materially increasing or decreasing at the present time or in the foreseeable future except as disclosed in this MD&A and in its regulatory filings. Material increases or decreases in the Company's liquidity are substantially determined by the success or failure of the Company's exploration and development programs and overall market conditions for smaller mineral exploration companies. Since its incorporation in 1987, the Company has endeavored to secure mineral property interests that in due course could be brought into production to provide the Company with cash flow which would be used to undertake work programs on other projects. To that end, the Company has expended its funds on mineral property interests that it believes have the potential to achieve cash flow within a reasonable time frame. As a result, the Company has incurred losses during each of its fiscal years since incorporation. This result is typical of smaller exploration companies and will continue unless positive cash flow is achieved.

The following table contains selected financial information of the Company's liquidity:

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(\$000s)	December 31,	
	2020	2019
Cash	\$ 6,117	\$ 1,923
Working capital	7,347	1,872

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Ongoing operating expenses continue to reduce the Company's cash resources and working capital, as the Company has no sources of operating revenues.

In October and November 2020, the Company closed a private placement in two tranches totalling 21 million units at a price of CAD\$0.40 per unit for gross proceeds of CAD\$8.4 million with each unit comprised of one common share and one-half of one common share purchase warrant; each whole warrant is exercisable to acquire one common share at an exercise price of CAD\$0.65 per share for a period of two years. On October 7, 2020, the Company closed the first tranche for 8 million units for gross proceeds of CAD\$3.2 million. On November 12, 2020, the Company closed the second tranche for 13 million units for gross proceeds of CAD\$5.2 million; the second tranche received interested and disinterested shareholder approvals at the Company's special general meeting held on October 19, 2020. Finders fees included CAD\$176,400 in cash and 385,200 warrants with the same terms as the underlying warrants in the private placement. If the closing market price of the common shares is at a price equal to or greater than CAD\$1.00 for a period of 10 consecutive trading days on the Toronto Stock Exchange, the Company will have the right to accelerate the expiry date of the warrants by giving written notice to the warrant holders that the warrants will expire on the date that is not less than 30 days from the date notice is provided by the Company to the warrant holders.

The Company received the following cash, shares and warrants from its mineral property interests in 2020:

- In January 2020, \$100,000 cash and 967,513 shares with a fair value of CAD\$135,500 from Getchell for the option on the Fondaway Canyon and Dixie Comstock properties. Then in December 2020, \$100,000 cash and 749,161 shares with a fair value of CAD\$269,700 were received from Getchell;
- In September 2020, 1.25 million shares with fair value of CAD\$175,000 and 1.25 million warrants with exercise price of CAD\$0.095 and expiry date of September 23, 2023 and fair value of CAD\$56,250 were received from Ophir for the Lightning Tree property;
- In October 2020, \$12,000 cash was received from Brownstone Ventures for the Silver King property; and
- In December 2020, 3,989,950 shares with a fair value of CAD\$290,900 were received from Damara for the Princeton property.

In 2020, the Company received proceeds of \$236,000 from the exercise of stock options and proceeds of \$296,000 were realized from the disposition of marketable securities.

In the past, the Company has entered into a number of option agreements for mineral properties that involve payments in the form of cash and/or shares of the Company as well as minimum exploration expenditure requirements. Under Item 1.7, further details of contractual obligations are provided as at December 31, 2020. The Company will continue to rely upon equity financing as its principal source of financing its projects.

### 1.7 Capital Resources

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At December 31, 2020, to maintain its interest and/or to fully exercise the options under various property agreements covering its property interests, the Company must incur exploration expenditures on the properties and/or make payments in the form of cash and/or shares to the optionors as follows:

	Cash Payments (CAD\$000)	Cash Payments (US\$000)	Annual Payments (US\$000)	Number of Shares
New Polaris:				
Net profit interest reduction or buydown	\$ -	\$ -	\$ -	150,000
Fondaway Canyon:				
Advance royalty payment for buyout of 3% net smelter return <sup>(1)</sup>	-	-	35	-
Buyout provision for net smelter return of 2% <sup>(2)</sup>	-	2,000	-	-
Windfall Hills:				
Buyout provision for net smelter return of 1.5%	1,000	-	-	-
Reduction of net smelter return of 2% to 1%	-	500	-	-
Princeton: <sup>(3)</sup>				
On or before:				
March 16, 2021	25	-	-	-
Buyout provision for net smelter return of 1%	1,000	-	-	-
Reduction of net smelter return of 2% to 1%	1,000	-	-	-
	\$ 3,025	\$ 2,500	\$ 35	150,000

<sup>(1)</sup> Advance royalty payments of \$285,000 remain payable as at December 31, 2020 with annual payments of \$35,000. Pursuant to the option agreement, Getchell will be obligated to pay the annual advance royalty; Item 1.2.2.a provides further details. Getchell paid an annual advance royalty of \$35,000 in July 2020.

<sup>(2)</sup> The 2% NSR has a buyout provision of either \$2 million in cash or 19.99% interest of a public entity which owns AIM if AIM were to close an initial public offering of at least \$5 million.

<sup>(3)</sup> In October 2020, the Company assigned its interest in the property option agreement for the Princeton property to Damara (Item 1.2.4).

Certain amounts may be reduced in the future as the Company determines which properties to continue to explore and which to abandon.

In February 2017, the Company entered into an office lease arrangement for a term of five years with a commencement date of August 1, 2017. The basic rent per year is CAD\$46,000 for years 1 to 3 and CAD\$48,000 for years 4 to 5.

The following schedule provides the contractual obligations related to the basic office lease for its Vancouver, BC office and the advance royalty payments for the Fondaway Canyon property as at December 31, 2020:

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	Payments due by Period (CAD\$000)					Payments due by Period (US\$000)				
	Total	Less than	1-3 years	3-5 years	After 5 years	Total	Less than	1-3 years	3-5 years	After 5 years
		1 year					1 year			
Basic office lease	\$ 68	\$ 28	\$ 40	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Advance royalty payments	-	-	-	-	-	285	35	105	105	40
<b>Total</b>	<b>\$ 68</b>	<b>\$ 28</b>	<b>\$ 40</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 285</b>	<b>\$ 35</b>	<b>\$ 105</b>	<b>\$ 105</b>	<b>\$ 40</b>

In July 2020, the advance royalty commitment of \$35,000 was paid by Getchell. (Item 1.2.2.a)

The Company will continue to rely upon debt and equity financings as its principal sources of financing its projects and for working capital.

**1.8 Off-Balance Sheet Arrangements**

At the discretion of the Board, certain stock option grants provide the option holder the right to receive the number of common shares, valued at the quoted market price at the time of exercise of the stock options that represent the share appreciation since granting the stock options.

**1.9 Transactions with Related Parties**

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management is disclosed in the table below.

Except as disclosed elsewhere in the MD&A, the Company had the following general and administrative costs with related parties during the years ended December 31, 2020, 2019 and 2018:

(\$000s)	Years ended December 31,			Net balance receivable (payable) as at December 31,	
	2020	2019	2018	2020	2019
	Key management compensation:				
Executive salaries and remuneration <sup>(1)</sup>	\$ 562	\$ 455	\$ 490	\$ 118	\$ -
Severance	-	90	184	-	-
Directors fees	33	20	27	-	(2)
Share-based payments	148	101	118	-	-
	<b>\$ 743</b>	<b>\$ 666</b>	<b>\$ 819</b>	<b>\$ 118</b>	<b>\$ (2)</b>
Net office, sundry, rent and salary allocations recovered from (incurred to) company(ies) sharing certain common director(s) <sup>(2)</sup>	\$ 5	\$ 4	\$ 2	\$ 1	\$ 1



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- (1) Includes key management compensation which is included in employee and director remuneration, mineral property interests, and corporate development.
- (2) The companies include Endeavour Silver Corp. ("Endeavour") and Aztec Minerals Corp. ("AzMin"), both companies sharing one common director, and AzMet.

The above transactions are incurred in the normal course of business.

### **1.10 Proposed Transactions**

There are no proposed material asset or business acquisitions or dispositions, other than those in the ordinary course of business and other than those already disclosed in this MD&A, before the board of directors for consideration, and other than those already disclosed in its regulatory and public filings.

### **1.11 Critical Accounting Estimates and Judgements**

The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements along with the reported amounts of revenues and expenses during the period. Actual results may differ from these estimates and, as such, estimates and judgements and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management estimates relate to determining the recoverability of mineral property interests, receivables and long-term investments; valuation of certain marketable securities; the determination of accrued liabilities; accrued site remediation; amount of flow-through obligations; fair value of deferred royalty liability and lease liability; recognition of deferred income tax liability; the variables used in the determination of the fair value of stock options granted and finder's fees warrants issued or modified; and the recoverability of deferred tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

The Company applies judgment in assessing the functional currency of each entity consolidated in the financial statements.

For right of use assets and lease liability, the Company applies judgement in determining whether the contract contains an identified asset, whether they have the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative, that can create an economic incentive to exercise renewal options. Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

The Company applies judgment in assessing whether material uncertainties exist that would cast substantial doubt as to whether the Company could continue as a going concern.

Acquisition costs of mineral properties and exploration and development expenditures incurred thereto are capitalized and deferred. The costs related to a property from which there is production will be amortized using the unit-of-production method. Capitalized costs are written down to their estimated recoverable amount if the property is subsequently determined to be uneconomic. The amounts shown for mineral property interests represent costs incurred to date, less recoveries and write-downs, and do not reflect present or future values.

At the end of each reporting period, the Company assesses each of its mineral properties to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as:

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the period for which the Company has the right to explore; expected renewals of exploration rights; whether substantive expenditures on further exploration and evaluation of resource properties are budgeted or planned; and results of exploration and evaluation activities on the exploration and evaluation assets. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

### 1.12 Changes in Accounting Policies including Initial Adoption

#### New Accounting Pronouncements

The Company did not early adopt any recent pronouncements as disclosed in Note 2(f), "*New accounting standards and recent pronouncements*", of the audited consolidated financial statements for the year ended December 31, 2020.

### 1.13 Financial Instruments and Other Instruments

#### IFRS 9 *Financial Instruments*:

The Company has classified its financial instruments under IFRS 9 *Financial Instruments* ("IFRS 9") as follows:

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	IFRS 9
<b>Financial Assets</b>	
Cash	Fair value through profit or loss ("FVTPL")
Marketable securities	FVTPL
Receivables	Amortized cost
<b>Financial Liability</b>	
Accounts payable and accrued liabilities	Amortized cost
Deferred royalty liability	Amortized cost
Lease liability	Amortized cost

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#### Management of Financial Risk

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The Company is exposed in varying degrees to a variety of financial instrument related risks, including credit risk, liquidity risk, and market risk which includes foreign currency risk, interest rate risk and other price risk. The types of risk exposure and the way in which such exposure is managed are provided as follows.

The fair value hierarchy categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate fair values. The fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 are valued using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data.

The fair values of the Company's receivables, accounts payable and accrued liabilities, and flow through premium liability approximate their carrying values due to the short terms to maturity. Cash and certain marketable securities are measured at fair values using Level 1 inputs. Certain other marketable securities are measured using Level 3 of the fair value hierarchy. The fair value of deferred royalty and lease liabilities approximate their carrying values as they are at estimated market interest rates using Level 2 inputs.

(a) Credit risk:

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality Canadian financial institutions.

Management has reviewed the items comprising the accounts receivable balance which may include amounts receivable from certain related parties, and determined that all accounts are collectible; accordingly there has been no allowance for doubtful accounts recorded.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and its ability to raise equity financings. As at December 31, 2020, the Company had a working capital of \$7.3 million (2019 – \$1.9 million). The Company has sufficient funding to meet its short-term liabilities and administrative overhead costs, and to maintain its mineral property interests in 2020.

The following schedule provides the contractual obligations related to the deferred royalty payments for the Fondaway Canyon project and office lease obligations as at December 31, 2020:

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	Payments due by Period (CAD\$000)					Payments due by Period (US\$000)				
	Total	Less than	1-3 years	3-5 years	After 5 years	Total	Less than	1-3 years	3-5 years	After 5 years
		1 year					1 year			
Basic office lease	\$ 76	\$ 48	\$ 28	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Advance royalty payments <sup>(1)</sup>	-	-	-	-	-	285	35	105	105	40
<b>Total</b>	<b>\$ 76</b>	<b>\$ 48</b>	<b>\$ 28</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 285</b>	<b>\$ 35</b>	<b>\$ 105</b>	<b>\$ 105</b>	<b>\$ 40</b>

<sup>(1)</sup> The advance royalty of \$35,000 was paid in July 2020 by Getchell. (Item 1.2.2.a).

Accounts payable and accrued liabilities are due in less than 90 days, and the notes payable, if any, are due on demand.

## (c) Market risk:

The significant market risk exposures to which the Company is exposed are foreign currency risk, interest rate risk and other price risk.

## (i) Foreign currency risk:

Certain of the Company's mineral property interests and operations are in Canada. Most of its operating expenses are incurred in Canadian dollars. Fluctuations in the Canadian dollar would affect the Company's consolidated statements of comprehensive income (loss) as its functional currency is the Canadian dollar, and fluctuations in the U.S. dollar would impact its cumulative translation adjustment as its consolidated financial statements are presented in U.S. dollars.

The Company is exposed to currency risk for its U.S. dollar equivalent of assets and liabilities denominated in currencies other than U.S. dollars as follows:

(\$000s)	Stated in U.S. Dollars (Held in Canadian Dollars)	
	2020	2019
	Cash	\$ 5,622
Marketable securities	1,323	104
Receivables	87	28
Accounts payable and accrued liabilities	(308)	(118)
Lease liability	(51)	(75)
<b>Net financial assets (liabilities), December 31</b>	<b>\$ 6,673</b>	<b>\$ 1,817</b>

Based upon the above net exposure as at December 31, 2020 and assuming all other variables remain constant, a 15% (2019 - 5%) depreciation or appreciation of the U.S. dollar relative to the Canadian dollar could result in a decrease (increase) of approximately \$1.0 million (2019 - \$91,000) in the cumulative translation adjustment in the Company's shareholders' equity.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

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(ii) Interest rate risk:

In respect of financial assets, the Company's policy is to invest cash at floating rates of interest in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return. Fluctuations in interest rates impact on the value of cash equivalents. Interest rate risk is not significant to the Company as it has no cash equivalents at period-end and the promissory notes receivable and notes payable, if any, are stated at fixed interest rates.

(iii) Other price risk:

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

The Company's other price risk includes equity price risk, whereby investments in marketable securities are held for trading financial assets with fluctuations in quoted market prices recorded at FVTPL. There is no separately quoted market value for the Company's investments in the shares of certain investments.

As certain of the Company's marketable securities are carried at market value and are directly affected by fluctuations in value of the underlying securities, the Company considers its financial performance and cash flows could be materially affected by such changes in the future value of the Company's marketable securities. Based upon the net exposure as at December 31, 2020 and assuming all other variables remain constant, a net increase or decrease of 80% (2019 - 80%) in the market prices of the underlying securities would increase or decrease respectively net (loss) income by \$1.1 million (2019 - \$83,000).

In June 2018, the normal course issuer bid was again adopted whereby the Company may acquire up to 2.18 million common shares of the Company, and paid the prevailing market price at the time of purchase, and which terminated on June 20, 2019. The cash consideration paid for any such purchases would have been subject to fluctuations in the market price of its common shares.

### **1.14 Other MD&A Requirements**

#### **1.14.1 Other MD&A Requirements**

Additional information relating to the Company are as follows:

- (a) may be found on SEDAR at [www.sedar.com](http://www.sedar.com);
- (b) may be found in the Company's annual information form; and
- (c) is also provided in the Company's audited consolidated financial statements for the years ended December 31, 2020 and 2019.

#### **1.14.2 Outstanding Share Data**

The Company's authorized share capital consists of unlimited number of common shares without par value.

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Effective December 8, 2020, the Company consolidated its share capital on the basis of five pre consolidation common shares for one post share consolidation share.

Changes in the Company's share capital for the year ended December 31, 2020 are as follows:

	Number of Shares	Amount (in \$000s)
Balance at December 31, 2019	48,531,936	\$ 67,287
Issued:		
Private placement, net of share issuance costs	21,000,000	6,373
Exercise of stock options	576,000	236
Exercise of share appreciation rights	143,303	59
Share issuance expenses	-	(360)
Balance at December 31, 2020	70,251,239	\$ 73,595

In October and November 2020, the Company closed a private placement in two tranches totalling 21 million units at a price of CAD\$0.40 per unit for gross proceeds of CAD\$8.4 million with each unit comprised of one common share and one-half of one common share purchase warrant; each whole warrant is exercisable to acquire one common share at an exercise price of CAD\$0.65 per share for a period of two years. On October 7, 2020, the Company closed the first tranche for 8 million units for gross proceeds of CAD\$3.2 million. On November 12, 2020, the Company closed the second tranche for 13 million units for gross proceeds of CAD\$5.2 million; the second tranche received interested and disinterested shareholder approvals at the Company's special general meeting held on October 19, 2020. Finders fees included CAD\$176,400 in cash and 385,200 warrants with the same terms as the underlying warrants in the private placement. If the closing market price of the common shares is at a price equal to or greater than CAD\$1.00 for a period of 10 consecutive trading days on the Toronto Stock Exchange, the Company will have the right to accelerate the expiry date of the warrants by giving written notice to the warrant holders that the warrants will expire on the date that is not less than 30 days from the date notice is provided by the Company to the warrant holders.

In 2020, stock options for 576,000 shares were exercised for proceeds of \$138,000 and fair value of \$98,000. Also stock options for 280,000 common shares were cancelled for the exercise of share appreciation rights for 143,303 common shares at a fair value of CAD\$0.55 per share.

In January 2021, stock options for 210,000 common shares were cancelled for the exercise of share appreciation rights for 104,884 common shares. In February 2021, stock options for 30,000 common shares were exercised.

At March 30, 2021, there were 70,386,123 common shares issued and outstanding.

At December 31, 2020, the Company had outstanding stock options to purchase an aggregate 3,210,000 common shares as follows:

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	2020	
	Number of Shares	Weighted average exercise price (CAD\$)
Outstanding balance, beginning of year	3,550,000	\$0.37
Granted	840,000	\$0.50
Exercised	(576,000)	\$0.31
Cancellation for share appreciation rights	(280,000)	\$0.30
Forfeited	(140,000)	\$0.39
Expired	(184,000)	\$0.42
Outstanding balance, end of year	3,210,000	\$0.42
Exercise price range		\$0.30 - \$0.55

At March 30, 2021, stock options for 2,970,000 common shares remain outstanding of which 2,498,000 stock options are exercisable.

At December 31, 2020, the Company had outstanding warrants as follows:

Exercise Prices (CAD\$)	Expiry Dates	Outstanding at December 31, 2019	Issued	Exercised	Expired	Outstanding at December 31, 2020
\$0.30	July 23, 2021 <sup>(1)</sup>	301,624	-	-	-	301,624
\$0.65	October 7, 2022 <sup>(2)</sup>	-	4,000,000	-	-	4,000,000
\$0.65	November 12, 2022 <sup>(2)</sup>	-	6,500,000	-	-	6,500,000
\$0.65	November 12, 2022 <sup>(2), (3)</sup>	-	385,200	-	-	385,200
		301,624	10,885,200	-	-	11,186,824

(1) As these warrants are agent's warrants, a fair value of \$33,110 was originally recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 89%, risk-free rate 1.44%, expected life 2 years, and expected dividend yield 0%.

(2) If the closing market price of the common shares is at a price equal to or greater than CAD\$1.00 for a period of 10 consecutive trading days on the Toronto Stock Exchange, the Company will have the right to accelerate the expiry date of the warrants by giving written notice to the warrant holders that the warrants will expire on the date that is not less than 30 days from the date notice is provided by the Company to the warrant holders.

(3) As these warrants are agent's warrants, a fair value of \$126,560 was originally recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated

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using the Black-Scholes option pricing model with the following assumptions: volatility 105%, risk-free rate 0.26%, expected life 2 years, and expected dividend yield 0%.

Pursuant to the private placement which closed in two tranches totalling 21 million units in October and November 2020, 4 million warrants with exercise price of CAD\$0.65 and expiry date of October 7, 2022 and 6.5 million warrants with exercise price of CAD\$0.65 and expiry date of November 12, 2022 were issued. Finders fees for 385,200 warrants were issued with exercise price of CAD\$0.65 and expiry date of November 12, 2022. If the closing market price of the common shares is at a price equal to or greater than CAD\$1.00 for a period of 10 consecutive trading days on the Toronto Stock Exchange, the Company will have the right to accelerate the expiry date of the warrants by giving written notice to the warrant holders that the warrants will expire on the date that is not less than 30 days from the date notice is provided by the Company to the warrant holders.

At March 30, 2021, there were outstanding warrants for 11,186,824 common shares.

### **1.15 Outlook**

The Company will continue to depend upon equity financings to continue exploration work on and to advance its mineral property interests, and to meet its administrative overhead costs for the 2021 fiscal year. There are no assurances that capital requirements will be met by this means of financing as inherent risks are attached therein including commodity prices, financial market conditions, and general economic factors. The Company does not expect to realize any operating revenues from its properties in the foreseeable future.

### **1.16 Risk Factors**

The following is a brief discussion of those distinctive or special characteristics of the Company's operations and industry that may have a material impact on, or constitute risk factors in respect of, the Company's future financial performance.

#### ***Exploration and Development Risks***

There is no assurance given by the Company that its exploration and development programs and mineral property interests will result in the discovery, development or production of a commercially viable ore body.

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development activities will result in any discoveries of bodies of commercial ore. The economics of developing gold and other mineral properties are affected by many factors including capital and operating costs, variations of the grades and tonnages of ore mined, fluctuating mineral market prices, costs of mining and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Substantial expenditures are required to establish reserves through drilling and other work, to develop metallurgical processes to extract metal from ore, and to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that funds required for development can be obtained on a timely basis. The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately foreseen or predicted, such as market fluctuations, the global marketing conditions for precious and base metals, the proximity and capacity of milling and smelting facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection. In order to commence exploitation of certain properties presently held under exploration concessions, it is necessary for the Company to apply for exploitation concessions. There can be no guarantee that such concessions will be granted.



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### ***Financing Risks***

There is no assurance given by the Company that it will be able to secure the financing necessary to explore, develop and produce its mineral property interests.

The Company does not presently have sufficient financial resources or operating cash-flow to undertake by itself all of its planned exploration and development programs. The development of the Company's mineral property interests may therefore depend on the Company's joint venture partners and on the Company's ability to obtain additional required financing. There is no assurance the Company will be successful in obtaining the required financing, the lack of which could result in the loss or substantial dilution of its interests (as existing or as proposed to be acquired) in its properties as disclosed herein. The Company's ability to continue as a going concern is dependent on the ability of the Company to raise debt and equity capital financings, the attainment of profitable operations, external financings, and further share issuance to satisfy working capital and operating needs.

### ***Estimates of Mineral Deposits***

There is no assurance given by the Company that any estimates of mineral deposits herein will not change.

Although all figures with respect to the size and grade of mineralized deposits, or, in some instances have been prepared, reviewed or verified by independent mining experts, these amounts are historic estimates only and are not compliant with NI 43-101, except for the Company's Fondaway Canyon project which was the subject of a NI 43-101 report dated April 3, 2017 and New Polaris project which was the subject of a NI 43-101 report dated February 28, 2019, and no assurance can be given that any identified mineralized deposit will ever qualify as a commercially viable mineable ore body that can be legally and economically exploited. Estimates regarding mineralized deposits can also be affected by many factors such as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grades and tonnages of ore ultimately mined may differ from that indicated by drilling results and other work. There can be no assurance that gold recovered in small-scale laboratory tests will be duplicated in large-scale tests under on-site conditions. Material changes in mineralized tonnages, grades, dilution and stripping ratios or recovery rates may affect the economic viability of projects. The existence of mineralized deposits should not be interpreted as assurances of the future delineation of ore reserves or the profitability of future operations. The refractory nature of gold mineralization at New Polaris and Fondaway projects may adversely affect the economic recovery of gold from mining operations.

### ***Mineral Prices***

There is no assurance given by the Company that mineral prices will not change.

The mining industry is competitive and mineral prices fluctuate so that there is no assurance, even if commercial quantities of a mineral resource are discovered, that a profitable market will exist for the sale of same. Factors beyond the control of the Company may affect the marketability of any substances discovered. The prices of precious and base metals fluctuate on a daily basis, have experienced volatile and significant price movements over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations (specifically, the U.S. dollar relative to other currencies), interest rates, central bank transactions, world supply for precious and base metals, international investments, monetary systems, and global or regional consumption patterns (such as the development of gold coin programs), speculative activities and increased production due to improved mining and production methods. The supply of and demand for gold are affected by various factors, including political events, economic conditions and production costs in major gold producing regions, and governmental policies with respect to gold holdings by a nation or its citizens. The exact effect of these factors cannot be accurately predicted, and the combination of these factors may result in the Company not receiving adequate returns on invested capital or the investments retaining their respective values. There is no assurance that the prices of gold and other precious and base metals will be such that the Company's mineral property interests can be mined at a profit.

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### ***Title Matters***

There is no assurance given by the Company that it owns legal title to certain of its mineral property interests.

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to any of the Company's mining concessions may come under dispute. While the Company has diligently investigated title considerations to its mineral property interests, in certain circumstances, the Company has only relied upon representations of property partners and government agencies. There is no guarantee of title to any of the Company's property interests. The properties may be subject to prior unregistered agreements or transfers, and title may be affected by unidentified and undetected defects. In British Columbia and elsewhere, native land claims or claims of aboriginal title may be asserted over areas in which the Company's properties are located.

### ***Conflicts of Interest***

There is no assurance given by the Company that its directors and officers will not have conflicts of interest from time to time.

The Company's directors and officers may serve as directors or officers of other public resource companies or have significant shareholdings in other public resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The interests of these companies may differ from time to time. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against any resolution involving any such conflict. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of the Province of British Columbia, Canada, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in any particular exploration or mining project at any given time, the directors will primarily consider the upside potential for the project to be accretive to shareholders, the degree of risk to which the Company may be exposed and its financial position at that time.

### ***Uninsured Risks***

There is no assurance given by the Company that it is adequately insured against all risks.

The Company may become subject to liability for cave-ins, pollution or other hazards against which it cannot insure or against which it has elected not to insure because of high premium costs or other reasons. The payment of such liabilities would reduce the funds available for exploration and mining activities.

### ***Environmental and Other Regulatory Requirements***

There is no assurance given by the Company that it has met all environmental or regulatory requirements.

The current or future operations of the Company, including exploration and development activities and commencement of production on its mineral property interests, require permits from various foreign, federal, state and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that approvals and permits required in order for the

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Company to commence production on its various properties will be obtained. Additional permits and studies, which may include environmental impact studies conducted before permits can be obtained, are necessary prior to operation of the other properties in which the Company has interests and there can be no assurance that the Company will be able to obtain or maintain all necessary permits that may be required to commence construction, development or operation of mining facilities at these properties on terms which enable operations to be conducted at economically justifiable costs.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. New laws or regulations or amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation of current laws, regulations or permits, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

### ***Reclamation***

There is a risk that monies allotted for land reclamation may not be sufficient to cover all risks, due to changes in the nature of the waste rock or tailings and/or revisions to government regulations. Therefore additional funds, or reclamation bonds or other forms of financial assurance may be required over the tenure of the project to cover potential risks. These additional costs may have material adverse impact on the financial condition and results of the Company.

### ***Foreign Countries and Regulatory Requirements***

Certain of the Company's properties may be located in countries outside of Canada, and mineral exploration and mining activities may be affected in varying degrees by political stability and government regulations relating to the mining industry. Any changes in regulations or shifts in political attitudes may vary from country to country and are beyond the control of the Company and may adversely affect its business. Such changes have, in the past, included nationalization of foreign owned businesses and properties. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income and other taxes and duties, expropriation of property, environmental legislation and mine safety. These uncertainties may make it more difficult for the Company and its joint venture partners to obtain any required production financing for its mineral property interests.

### ***Currency Fluctuation and Foreign Exchange Controls***

The Company maintains a portion of its funds in U.S. dollar denominated accounts. Certain of the Company's property and related contracts may be denominated in U.S. dollars. The Company's operations in countries other than Canada are normally carried out in the currency of that country and make the Company subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. In addition, the Company is or may become subject to foreign exchange restrictions which may severely limit or restrict its ability to repatriate capital or profits from its properties outside of Canada to Canada. Such restrictions have existed in the past in countries in which the Company holds property interests and future impositions of such restrictions could have a materially adverse effect on the Company's future profitability or ability to pay dividends.

### ***Third Party Reliance***

The Company's rights to acquire interests in certain mineral properties may have been granted by third parties who themselves hold only an option to acquire such properties. As a result, the Company may have no direct contractual relationship with the underlying property holder.

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### ***Volatility of Shares Could Cause Investor Loss***

The market price of a publicly traded stock, especially a junior issuer like the Company, is affected by many variables in addition to those directly related to exploration successes or failures. Such factors include the general condition of the market for junior resource stocks, the strength of the economy generally, the availability and attractiveness of alternative investments, and the breadth of the public market for the stock. The effect of these and other factors on the market price of the common shares on the TSX and NASD-OTC suggests that the Company's shares will continue to be volatile. Therefore, investors could suffer significant losses if the Company's shares are depressed or illiquid when an investor seeks liquidity and needs to sell the Company's shares.

### ***Possible Dilution to Current Shareholders based on Outstanding Options and Warrants***

At December 31, 2020, the Company had 70,251,239 common shares, and 3,550,000 outstanding share purchase options and 11,186,824 share purchase warrants outstanding. The resale of outstanding shares from the exercise of dilutive securities could have a depressing effect on the market for the Company's shares. At December 31, 2020, securities that could be dilutive represented approximately 21.0% of the Company's issued shares. Certain of these dilutive securities were exercisable at prices below the December 31, 2020 closing market price of CAD\$0.77 for the Company's shares, which accordingly would result in dilution to existing shareholders.

### ***COVID-19 pandemic***

The COVID-19 (the novel coronavirus) pandemic is having a material adverse effect on the global economy as well as caused volatility in the global financial markets. While the full impact of COVID-19 on the Company and the global economy is uncertain, rapid spread of COVID-19 may have an adverse effect on the Company's planned operations and financing capabilities;. If a significant portion of our workforce becomes unable to work or travel to our operations due to illness or state or federal government restrictions (including travel restrictions and "shelter-in-place" and similar orders), we may be forced to delay, reduce or suspend planned exploration programs. Illnesses or government restrictions, including the closure of national borders, related to COVID-19 also may disrupt the supply of raw goods, equipment, supplies and services upon which our operations rely. An economic recession resulting from the COVID-19 pandemic could negatively impact the Company's ability to operate or obtain necessary financing. The extent to which COVID-19 may impact the Company's business will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the disease. These conditions may require working capital not previously anticipated, which may adversely affect our liquidity and ability to source additional working capital on reasonable terms. Although it is not possible to reliably estimate the length or severity of these developments and their financial impact to the date of approval of these consolidated financial statements, the Company's stock price did have a 12 month low of CAD\$0.15 during this period. Should the stock prices remain low for an extended period, this could have a further significant adverse impact on the Company's financial position and results of operations for future periods. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section.

### ***Cybersecurity threats***

The Company relies on secure and adequate operations of information technology systems in the conduct of its operations. Access to and security of the information technology systems are critical to the Company's operations. To the Company's knowledge, it has not experienced any material losses relating to disruptions to its information technology systems. The Company has implemented ongoing policies, controls and practices to manage and safeguard the Company and its stakeholders from internal and external cybersecurity threats and to comply with changing legal requirements and industry practice. Given that cyber risks cannot be fully mitigated and the evolving nature of these threats, the Company cannot assure that its information technology systems are fully protected from cybercrime or that the systems will not be inadvertently compromised, or without failures or defects. Potential disruptions to the Company's information technology systems, including, without

## **CANAGOLD RESOURCES LTD.**

(formerly, Canarc Resource Corp.)

Management's Discussion and Analysis

For the Year ended December 31, 2020

(expressed in United States dollars)

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limitation, security breaches, power loss, theft, computer viruses, cyber-attacks, natural disasters, and noncompliance by third party service providers and inadequate levels of cybersecurity expertise and safeguards of third party information technology service providers, may adversely affect the operations of the Company as well as present significant costs and risks including, without limitation, loss or disclosure of confidential, proprietary, personal or sensitive information and third party data, material adverse effect on its financial performance, compliance with its contractual obligations, compliance with applicable laws, damaged reputation, remediation costs, potential litigation, regulatory enforcement proceedings and heightened regulatory scrutiny.

### **1.17 Controls and Procedures**

#### ***Evaluation of Disclosure Controls and Procedures***

The Company's management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures and internal controls over financial reporting using the framework and criteria established in *Internal Control – Integrated Framework (COSO Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013)*. Based on its evaluation, management has concluded that disclosure controls and procedures and internal controls over financial reporting were effective as at December 31, 2020, and provided a reasonable assurance of the reliability of the Company's financial reporting and preparation of the unaudited condensed consolidated interim financial statements. Management of the Company recognizes that any controls and procedures can only provide reasonable assurance, and not absolute assurance, of achieving the desired control objectives, and management necessarily was required to apply its judgement in evaluating the cost-benefit relationship of possible controls and procedures.

#### ***Internal Controls over Financial Reporting***

The CEO and CFO of the Company are responsible for designing internal controls over financial reporting ("ICFR") or causing them to be designed under their supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

In common with many other smaller companies, the Company has insufficient resources to appropriately review increasingly complex areas of accounting within the accounting function such as those in relation to financial instruments and deferred income tax.

The Company shall engage the services of an external accounting firm to assist in applying complex areas of accounting as needed.

Management concluded that the audited consolidated financial statements for the year ended December 31, 2020 fairly present the Company's financial position and its financial performance for the period then ended.

#### ***Changes in Internal Controls over Financial Reporting***

Except as disclosed above, there were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date the CEO and CFO completed their evaluation.