# AGAU RESOURCES, INC.
# UNAUDITED CONDENSED INTERIMCONSOLIDATED FINANCIAL STATEMENTS
# NOVEMBER 30, 2020

**NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of AGAU Resources Inc. (“**Corporation**”) have been prepared by and are the responsibility of the Corporation’s management.

The Corporation’s independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s independent auditor.

**AGAU RESOURCES, INC.**

**UNADITED CONDENSED INTERIM**
**CONSOLIDATED FINANCIAL STATEMENTS**

**NOVEMBER 30, 2020**

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## Management's Responsibility

To the Shareholders of AGUA Resources, Inc. (the "**Corporation**"):

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safe guarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed of Directors who may be neither management nor employees of the Corporation. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving financial information. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Corporation's external auditors.

Wasserman Ramsay Chartered Professional Accountants, an independent firm of Chartered Accountants, was appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

/s/ *Binyomin Posen*
Binyomin Posen
Chief Executive Officer

Toronto, Ontario
January 8, 2021

**AGUA RESOURCES, INC.**
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**(All Amounts are in Canadian Dollars)**

| As at | November 30, 2020 | May 31, 2020 |
|---|---|---|
| **ASSETS** | | |
| CURRENT | | |
| Cash and cash equivalent | $ 65,327 | $ 8,777 |
| Sundry receivables | 10,741 | 11,230 |
| | $ 76,068 | $ 20,007 |
| **LIABILITIES** | | |
| CURRENT | | |
| Accounts payable and accrued liabilities (Note 4 and 7) | $ 84,229 | $ 93,905 |
| Related party advances (Note 7) | 53,109 | 61,028 |
| | $ 137,338 | $ 154,933 |
| **SHAREHOLDERS' EQUITY (DEFICIENCY)** | | |
| CAPITAL STOCK (Note 5) | | |
| Issued and Outstanding | 2,990,806 | 2,980,806 |
| CONTRIBUTED SURPLUS (Note 6) | 134,732 | 134,732 |
| ACCUMULATED DEFICIT | (3,186,808) | (3,250,464) |
| | (61,270) | (134,926) |
| | $ 76,068 | $ 20,007 |

Nature of Organization (Note 1)
Commitments (Note 8)
Contingencies (Note 9)
Proposed Transaction (Note 13)

**APPROVED ON BEHALF OF THE BOARD**:

/s/ "*Sruli Weinreb* "
Yisroel Weinreb, Director

/s/ "*Binyomin Posen*"
Binyomin Posen, Director

**AGUA RESOURCES, INC.**
**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**
**(All Amounts are in Canadian Dollars)**

| | Number of Common Shares | Amount of Common Shares | Contributed Surplus | Accumulated Deficit | Shareholders' Equity |
|---|---|---|---|---|---|
| Balance, June 1, 2019 | 288,511,551 | $ 2,977,681 | $ 134,732 | $ (3,183,450) | $ (71,037) |
| Net loss for the period | — | — | — | (37,267) | (37,267) |
| Balance, November 30, 2019 | 288,511,551 | $ 2,977,681 | $ 134,732 | $ (3,220,717) | $ (108,304) |
| | | | | | |
| Balance, June 1, 2020 | 291,297,265 | $ 2,980,806 | $ 134,732 | $ (3,250,464) | $ (134,926) |
| Net loss for the period | — | — | — | 63,656 | 63,656 |
| Balance, November 30, 2020 | 291,011,551 | $ 2,980,806 | $ 134,732 | $ (3,186,808) | $ (61,270) |

**AGAU RESOURCES, INC.**
**UNAUDITED CONDENSED INTERIM**
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**
**(All Amounts are in Canadian Dollars)**

| From<br>to the period ended November 30 | September 1<br>2020 | <br>2019 | June 1<br>2020 | <br>2019 |
|---|---|---|---|---|
| REVENUES | $ — | $ — | $ — | $ — |
| EXPENSES | | | | |
| Administrative expenses | 15 | — | 39 | — |
| Consulting fees | — | — | — | — |
| Foreign exchange loss | — | — | — | — |
| Interest expense | 2,777 | 2,786 | 5,092 | 2,950 |
| Management fees | — | 5,000 | 5,000 | 5,000 |
| Professional fees | (2,569) | 11,769 | (42) | 27,743 |
| Regulatory fees | 1,050 | 803 | 1,255 | 1,567 |
| Stock-based compensation | — | — | — | — |
| | 1,273 | 20,365 | 11,344 | 37,267 |
| INCOME (LOSS) BEFORE INCOME TAXES | (1,273) | (20,365) | (11,344) | (37,267) |
| Project Analysis Costs Recovery | 75,000 | — | 75,000 | — |
| Recovery of (provision for) income taxes | — | — | — | — |
| NET LOSS FROM OPERATIONS AND COMPREHENSIVE LOSS | $ (73,727) | $ (20,365) | $ (63,656) | $ (37,267) |
| NET INCOME (LOSS) PER COMMON SHARE<br>Basic and Diluted | $ 0.000 | $ (0.000) | $ 0.000 | $ (0.000) |
| Weighted Average Common Shares Outstanding | 291,297,265 | 288,511,551 | 291,297,265 | 288,511,551 |

**AGAU RESOURCES, INC.**
**UNAUDITED CONDENSED INTERIM**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(All Amounts are in Canadian Dollars)**

| **From** | **September 1** | | **June 1** | |
|---|---|---|---|---|
| **to the period ended November 30** | **2020** | **2019** | **2020** | **2019** |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net income (loss) for the year | $ 73,727 | $ (20,365) | $ 63,656 | $ (37,267) |
| Non-cash items | | | | |
| Accrued interest | 2,786 | 1,876 | 5,081 | 2,040 |
| Non-cash compensation - Share based payments | — | — | — | — |
| Change in non-cash working capital items: | | | | |
| Sundry receivables and prepaid | 2,264 | 18,874 | 489 | (17,532) |
| Accounts payable and accrued liabilities | (6,040) | (13,637) | (4,676) | 4,443 |
| CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES | 72,717 | (13,252) | 64,550 | (13,252) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Related party net advances (reimbursements) | (30,000) | — | (8,000) | 50,000 |
| CASH FLOWS USED IN FINANCING ACTIVITIES | (30,000) | — | (8,000) | 50,000 |
| DECREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR | 42,717 | (13,252) | 56,550 | 36,748 |
| CASH AND CASH EQUIVALENTS | | | | |
| Beginning of the year | 22,610 | 50,830 | 8,777 | 830 |
| End of the year | $ 65,327 | $ 37,578 | $ 65,327 | $ 37,578 |
| | | | | |
| SUPPLEMENTAL INFORMATION | | | | |
| Shares issued in debt settlement | $ 10,000 | $ — | $ 10,000 | $ — |

## 1. Nature of Organization

*Description of the Business*
AGAU Resources, Inc. (the "**Corporation**") was incorporated under the Business Corporations Act of Alberta on April 9, 1996. The Corporation was involved, up to the year ended May 31, 2012, in the acquisition, exploration and development of mining properties. During fiscal 2012 all mining property leases expired and as a result the Corporation no longer had any ongoing operations and started seeking to identify an operating company to acquire or merge with.

On March 18, 2011, trading in the Corporation's shares on the TSX Venture Exchange ("**TSXV**") were suspended, in accordance with TSXV policies. Subsequently, a cease trade order was issued by the Alberta Securities Commission and the British Columbia Securities Commission and the Corporation's listing was transferred to the NEX board of the TSXV. The Corporation was subsequently delisted from the NEX. On June 28, 2018, the Corporation received full revocations of the cease trade orders previously issued.

These unaudited condensed interim financial statements ('**Financial Statements**") of the Corporation were authorized for issue in accordance with a resolution of the directors on January 8, 2021.

*Basis of Operations and Going Concern*
These Financial Statements have been prepared in accordance with IFRS applied on a going concern basis, which assumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. As at November 30, 2020, the Corporation had no sources of operating cash flows. The Corporation may therefore require additional funding which, if not raised, would result in the curtailment of activities and delays in its ability to merge with or acquire an operating entity. The Corporation had working capital of deficit of $61,270 as at November 30, 2020 (May 31, 2020 – working capital deficit was $134,926), and had incurred losses since inception, resulting in an accumulated deficit of $3,186,808 (May 31, 2020 - $3,250,464). The Corporation's ability to continue as a going concern is uncertain and is dependent upon its ability to continue to raise adequate financing. There can be no assurances that the Corporation will be successful in this regard, and therefore, there is doubt regarding the Corporation's ability to continue as a going concern, and accordingly, the use of accounting principles applicable to a going concern. These Financial Statements do not reflect adjustments that would be necessary if the "going concern" assumption were not appropriate. If the "going concern" assumption were not appropriate for these Financial Statements, then adjustments to the carrying values of the assets and liabilities, the expenses and the balance sheet classifications, which could be material, would be necessary.

As an entity with no operations, funding to meet its operating expenses as well as working capital is dependent on the Corporation's ability to issue common shares or borrow funds. While the Corporation does not currently have sufficient funds to meet its financial obligation, these Financial Statements have been prepared on a going concern basis, which assumes the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business

The business of identifying and acquiring an operating entity entails a high degree of risk and capital commitment and there can be no assurance that if successful would provide positive cash flows. Therefore, the Corporation will have to rely on its ability to raise additional funds by way of share issuances from its treasury and short-term advances of capital from its directors and officers.

## 1. Nature of Organization - continued

*Statement of Compliance*
These Financial Statements for the period from June 1, 2020 to November 30, 2020 have been prepared by management in accordance International Accounting Standards ("**IAS**") 34 – Interim Financial Reporting under International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and incorporated into Canadian Generally Accepted Accounting Principles ("**CGAAP**"). Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the International Accounting Standards Board ("**IASB**") and interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**"). These Financial Statements have not been reviewed by the Corporation's external auditors.

These Financial Statements have been prepared on a historical cost basis except for certain financial assets, which are recorded at fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting except for cash flow information.

## 2. Summary of Significant Accounting Policies

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

***Basis of Consolidation***
The Financial Statements of the Corporation include the accounts of its wholly owned subsidiaries 722380 Alberta Ltd., an Alberta incorporated entity, and Navoro Mining LLC, an entity incorporated in the United States for which a Notice of dissolution dated December 5, 2019 has been received. Both of the Corporation's subsidiaries are inactive and have no balances. All inter-company transactions have been eliminated.

***Basis of Measurement***
These Financial Statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

***Use of Estimates and Judgments***
The preparation of these Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to these Financial Statements are disclosed in note 3.

***Functional and presentation currency***
These Financial Statements are presented in Canadian dollars, which is the Corporation's functional currency.

Transactions in foreign currencies are initially recorded by the subsidiaries at the respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive (loss) income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

**2. Summary of Significant Accounting Policies** - continued

***Cash and Cash Equivalents***
Cash and cash equivalents may include demand deposits with banks, money market accounts, and other short-term investments with original maturities of 90 days or less.

***Transactional Costs***
The costs incurred relating to transactional costs are expensed as incurred.

***Deferred Financing Costs***
Financing costs related to the Corporation's proposed financing are recorded as deferred financing costs. These costs will be deferred until the financing is completed; at which time the costs will be charged against the proceeds received. If the financing does not close, the costs will be charged to statements of operations and comprehensive loss.

Incremental costs incurred in respect of raising capital are charged against equity or debt proceeds raised. Costs associated with the issuance of common share are charged to capital stock upon the raising of equity. Costs associated with the issuance of debt are amortized using the effective interest method over the life of the debt.

***Income Taxes***
Income tax expense comprises current and deferred tax. Income tax is recognized in the statements of operations and comprehensive loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

***Current Income Tax***
Current tax is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and tax laws that were enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

***Deferred Tax***
Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax liabilities:

- are generally recognized for all taxable temporary differences; and
- are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise upon initial recognition of goodwill or arise on initial recognition of assets and liabilities acquired other than in a business combination where at the time of transaction effects neither accounting profit or taxable income (tax loss).

## 2. Summary of Significant Accounting Policies - continued

***Earnings (Loss) Per Share***

Earnings (loss) per share is calculated by dividing the net loss applicable to common shares by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share is computed by dividing the net loss applicable to common shares by the diluted weighted average number of shares which assumes that all outstanding stock options granted with an exercise price below the average market value are exercised during the period. The difference between the number of shares assumed and the number of shares assumed purchased is then included in the denominator of the diluted earnings per share computation.

**Financial Instruments**

**Financial assets**

Financial assets are classified as either financial assets at fair value through profit or loss ("**FVTPL**"), fair value through other comprehensive income ("**FVTOCI**") or amortized cost. The Corporation determines the classification of financial assets at initial recognition.

**Financial assets at Fair-value through profit or loss**

Financial instruments classified as fair value through profit and loss are reported at fair value at each reporting date, and any change in fair value is recognized in the statement of operations in the period during which the change occurs. Realized and unrealized gains or losses from assets held at FVPTL are included in losses in the period in which they arise.

**Financial assets at Fair-value through other comprehensive income**

Financial assets carried at FVTOCI are initially recorded at fair value plus transaction costs with all subsequent changes in fair value recognized in other comprehensive income (loss). For investments in equity instruments that are not held for trading, the Corporation can make an irrevocable election (on an instrument-by-instrument bases) at initial recognition to classify them as FVTOCI. On the disposal of the investment, the cumulative change in fair value remains in other comprehensive income (loss) and is not recycled to profit or loss.

**Financial assets at amortized cost**

Financial assets are classified at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. The Corporation's accounts receivable are recorded at amortized cost as they meet the required criteria. A provision is recorded based on the expected credit losses for the financial asset and reflects changes in the expected credit losses at each reporting period.

**Financial liabilities**

Financial liabilities are initially recorded at fair value and subsequently measured at amortized cost, unless they are required to be measured at FVTPL (such as derivatives) or the Corporation has elected to measure at FVTPL. The Corporation's financial liabilities include trade and other payables which are classified at amortized cost. As at November 30, 2020, the following are the classifications

| | |
|---|---|
| Cash and cash equivalents | FVTPL |
| Commodity tax receivable | Amortized cost |
| Trade and other payables | Amortized cost |

## 2. Summary of Significant Accounting Policies - continued

**Impairment**

IFRS 9 requires an 'expected credit loss' model to be applied which requires a loss allowance to be recognized based on expected credit losses. This applies to financial assets measured at amortized cost. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in initial recognition.

Carrying value and fair value of financial assets and liabilities are summarized as follows:

| Classification | Carrying Value | Fair value |
|---|---|---|
| Fair value through profit and loss | $ 65,327 | $ 65,327 |
| Loans and receivables | 10,741 | 10,741 |
| Other financial liabilities | 137,338 | 137,338 |

***Fair Value Hierarchy***

The Corporation classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to valuation technique used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

As of November 30, 2020 and May 31,2020, cash and cash equivalents are measured at fair value and are classified within Level 1 of the fair value hierarchy.

***Impairment of non-financial assets***

The Corporation's assets are reviewed for indications of impairment at each statement of financial position's date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amount of the other assets the unit on a pro-rata basis.

**2. Summary of Significant Accounting Policies** - continued

**Provisions**

Provisions are recognized when the Corporation has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Corporation expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive (loss) income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

***Share-based Payments***

Stock options issued by the Corporation are accounted for in accordance with the fair value-based method. The fair value of options issued to directors, officers, employees of and consultants to the Corporation is charged to earnings over the vesting period of each tranche (graded vesting) with the offsetting amount recorded to contributed surplus. The historical forfeiture rate is also factored into the calculations. When options are exercised, the amount received together with the amount previously recorded in contributed surplus, are added to capital stock. The fair value of warrants issued to agents in conjunction with a public offering is charged to share issue costs with an offsetting amount recorded to contributed surplus. Fair value is measured using the Black-Scholes option pricing model.

***Equity Instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Corporation are recorded at the proceeds received, net of direct issue costs

**(All Amounts are in Canadian Dollars)**

## 3. Summary of Accounting Estimates and Assumptions

The preparation of the Corporation's Financial Statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of expenses, assets, and liabilities and the disclosure of contingent liabilities or contingent assets at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Corporation's accounting policies, management has made the following judgments, estimates, and assumptions, which have the most significant effect on the amounts recognized in the Financial Statements.

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

*Share-Based Payment Transactions*
The Corporation measures the cost of share-based payment transactions with employees by reference to the fair value of the equity instruments. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield and forfeiture rate of the share option. The assumptions and models used for estimating fair value for share-based payment transactions are determined at the time of the granting of such share-based compensation.

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

## 4. Accounts Payable and Accrued Liabilities

| As at | November 30, 2020 | May 31, 2020 |
|---|---|---|
| Trade payables | $ 2,842 | $ 2,935 |
| Accrued expenses | 81,387 | 90,970 |
| | $ 84,229 | $ 93,905 |

**(All Amounts are in Canadian Dollars)**

## 5. Capital Stock

The Corporation is authorized to issue an unlimited number of common shares, without par, and preferred shares, without par. The preferred shares are issuable in series. As at August 31, 2020 and May 31, 2020, no preferred shares are issued.

On June 28, 2018, the ABS and BCSC each their revocation to their previously issued cease trade orders in respect of the securities of the Corporation.

On August 31, 2018, the Corporation issued 152,000,000 Common Shares at a price of $0.00125 per share, for a total amount of $190,000. And on October 4, 2018, the Corporation issued an additional 63,800,000 Common Shares at a price of $0.00125 per share, for a total amount of $79,750.

On October 4, 2018, the Corporation issued 241,000,000 special warrants, each special warrant entitles the holder to purchase one additional Common Share at an exercise price of $0.00125 per share for period of 12 months from the date of issue ("**Special Warrants**"). The Special Warrants vest at the time of execution by the Corporation of a binding definitive agreement with a target introduced to the Corporation by the holders of the Special Warrants. As such, the special warrants have not vested as of August 31, 2019.

On December 12, 2018, the exercise price of the 6,000,000 warrants previously issued on January 8, 2018 was amended to $0.00125 from $0.05, with all other terms remaining the same.

In May 2020, the Corporation issued 2,500,000 Common Shares at a price of $0.00125 per share, for a total amount of $3,125 upon the exercise of warrants which had no fair value attributed to them.

In July 2020, the Corporation issued 285,714 Common Shares at a deem price of $0.035 per share, for a total value of $10,000 in settlement of liabilities.

## 6. Contributed Surplus

The Corporation's contributed surplus consists of the following:

| | General | Incentive Stock Option | Warrants | Total |
|---|---|---|---|---|
| Balance, June 1, 2019, May 31, 2020 and November 30, 2020 | $ 112,190 | $ 22,542 | $ — | $ 134,732 |

a) Incentive Stock options
The Corporation's Incentive Stock Option Plan ("**Plan**") provides for the issuance of a maximum of 10% of the issued and outstanding common shares at an exercise price equal or greater than the market price of the Corporation's common shares on the date of the grant to directors, officers, employees and consultants to the Corporation. Options granted may vest over certain time periods within the option period, which will limit the number of options that may be exercised. Each stock option is exercisable into one common share of the Corporation at the price specified within the terms of the option.

The number of common shares reserved for issuance under the Plan is a rolling 10% of the issued and outstanding common shares. Stock option issuances are recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest that have not yet been forfeited. Stock compensation expense adjustments for anticipated forfeitures have been determined to be immaterial.

(All Amounts are in Canadian Dollars)

**6. Contributed Surplus** – continued

The following table reconciles outstanding incentive stock options as at November 30, 2020 and May 31, 2020:

| | Number | Weighted Average Exercise Price |
|---|---|---|
| Balance, June 1, 2019 | 28,851,155 | $ 0.00125 |
| Granted | — | N/A |
| Exercised | — | N/A |
| Cancelled | — | N/A |
| Forfeited | — | N/A |
| Balance, May 31, 2020 and November 30, 2020 | 28,851,155 | $ 0.00125 |

Upon the cancelling of an incentive stock option, the cumulative amount previously expensed is transferred from contributed surplus - incentive stock options to contributed surplus - general.

The following table summarizes the weighted average exercise price and the weighted average remaining contractual life of the options outstanding and exercisable as at November 30, 2020.

| | | | Outstanding | | Exercisable | |
|---|---|---|---|---|---|---|
| Exercise Price | Options Outstandin g | Expiry Date | Weighted Average Remaining Life | Weighted Average Price | Quantity | Weighted Average Price |
| $0.00125 | 28,851,155 | November 2021 | 0.975 years | $ 0.00125 | 28,851,155 | $$.00125 |

b) Warrants
The following table reconciles outstanding warrants as at November 30, 2020 and May 31, 2020:

| | Number | Weighted Average Exercise Price |
|---|---|---|
| Balance, June 1, 2019 | 247,000,000 | $ 0.00125 |
| Granted | — | N/A |
| Exercised | (2,500,000) | 0.00125 |
| Cancelled | — | N/A |
| Expired/Forfeited | (244,500,000) | 0.00125 |
| Balance, May 31, 2020 and August 31, 2020 | — | $ N/A |

(All Amounts are in Canadian Dollars)

## 7. Related Party Transactions

Related party transactions include transactions with parties related by common directors and transactions with other private entities owned or controlled by officers and directors. All transactions are provided in the normal course of business and are measured at exchange amounts agreed upon by the related parties. The following table summarizes the related party transactions occurring during the period.

| For the period from | September 1 | | June 1, | |
|---|---|---|---|---|
| To November 30, | 2020 | 2019 | 2020 | 2019 |
| Expenses | | | | |
| Interest expense | $ 2,766 | $ 1,876 | $ 5,081 | $ 2,040 |
| Management fees | — | 5,000 | 5,000 | 5,000 |
| Professional fees | (7,955) | 8,018 | (7,825) | 12,818 |

| As at | Nov. 30, 2020 | May 31, 2020 |
|---|---|---|
| Included with accounts payable and accrued liabilities | $ — | $ 10,000 |
| Related party payable | 53,109 | 61,028 |

There are no on-going contractual obligations with any related party. The related party balance outstanding as of November 30, 2020, is due January 31, 2021, secured and at an interest rate of 15% per annum calculated quarterly and payable in cash on the last day of each calendar quarter. Of the $61,028 due to related parties at May 31, 2020, $5,000 was unsecured, non-interest bearing and was settled via the issuance of 142,857 Common Shares, with the balance being due August 23, 2020, secured and at an interest rate of 15% per annum calculated quarterly and payable in cash on the last day of each calendar quarter.

During the period ended November 30, 2020, 285,714 common shares were issued to related parties in settlement of $10,000 owed to them.

As at November 30, 2020, to the best knowledge of management related parties owns directly or indirectly approximately 137,706,770 or 46.87% (May 31, 2020 – 137,421,056 or 46.82%) of the issued and outstanding common shares of the Corporation.

## 8. Commitments

The Corporation has not entered into any contract that requires a minimum payment.

## 9. Contingencies

From time to time, the Corporation may be exposed to claims and legal actions in the normal course of business, some of which may be initiated by the Corporation. As of November 30, 2020 and May 31, 2020, the Corporation Is not a party to any material claims that would have a significant impact, either individually or in the aggregate.

## 10. Financial Instruments and Risk Management

### Risk Management

In the normal course of business, the Corporation is exposed to financial risk that arises from its indebtedness, including fluctuations in interest rates and in the credit quality of its customers. Management's involvement in operations helps identify risks and variations from expectations.

The Corporation does not manage risk through the use of hedging transactions. As a part of the overall operation of the Corporation, management takes steps to avoid undue concentrations of risk.

The Corporation manages its common shares, stock options and warrants as capital. The Corporation’s objectives when managing capital is to safeguard the Corporation’s ability to continue and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Corporation may prepare expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

### Liquidity Risk

Liquidity risk is the risk that the Corporation cannot meet its financial obligations associated with financial liabilities in full. The primary source of liquidity is debt and equity financing, which is used to fund additional operating and other expenses and retire debt obligations at their maturity. As the Company is dependent on debt and equity financing to finance operations, liquidity risk is considered high.

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk.

Obtaining long-term debt with fixed interest rates minimizes interest rate cash flow risk. The Corporation currently has no financial instruments that are interest bearing and therefore is currently no exposed to interest rate risk.

The Corporation does not trade in financial instruments and is not exposed to any significant interest rate price risk.

### Market Risk

Market risk is the risk that changes in market price, such as foreign exchange rates, commodity prices, and interest rates will affect the Corporation’s net income or the value of financial instruments. These risks are generally outside the control of the Corporation. The objectives of the Corporation are to mitigate market risk exposure within acceptable limits, while maximizing returns.

### Credit Risk

Credit risk related to accounts receivable arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Corporation mitigates this risk by regularly monitoring the financial health and aging of any amounts due from its debtors.

## 10. Financial Instruments and Risk Management - continued

As of the date of these Financial Statements the Corporation's only debtors are the government of Canada for the harmonized goods and services ("**HST**") receivable and therefore the Corporation does not believe it is currently exposed to any significant credit risk and related party balances.

**Currency Risk**
Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. At November 30, 2020 and May 31, 2020, the Corporation did not have any material foreign denominated currencies or balances**.**

**Other Price Risk**
Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. The cash flows associated with financial instruments of the Corporation are not exposed to other price risk.

**Fair Values**
Financial instruments include cash, sundry receivable, and accounts payable and accruals. The carrying values of these financial instruments approximate fair value due to the short-term nature of financial instruments.

The Corporation manages its cash and common shares as capital. The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern in order to pursue the exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Corporation prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to preserve cash for business acquisitions, the Corporation does not pay out dividends. The Corporation's investment policy, in general, is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 365 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Corporation's strategy is to satisfy its liquidity needs using cash on hand and new debt or equity financings.

The principal liquidity needs for periods beyond the next twelve months are for non-recurring capital expenditures and potential business acquisitions. The Corporation's strategy is to meet these needs with one or more of the following:

- common share and warrants offering;
- debt financing.

(All Amounts are in Canadian Dollars)

**10. Financial Instruments and Risk Management** - continued

The following table presents the contractual maturities of the Corporation's financial liabilities as at November 30, 2020:

| | Total | < 1 Year | Payments by Periods<br>1 – 3 Years | 4 – 5 Years | After 5 Years |
|---|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ 84,229 | $ 84,229 | $ — | $ — | $ — |
| Related party advances | 53,109 | 53,109 | — | — | — |

The Corporation is not subject to any externally or internally imposed capital requirements at period-end.

## 11. Financial Instruments

The Corporation's operations expose the Corporation to market risk, credit risk, and liquidity risk. The Corporation manages its exposure to these risks by operating in a manner that minimizes these risks. Senior management employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Corporation's business objectives and risk tolerance levels. The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board has established policies in setting risk limits and controls and monitors these risks in relation to market conditions.

**Fair Value of Non-Derivative Financial Instruments**
Fair value is the amount that willing parties would accept to exchange a financial instrument based on the current market for instruments with the same risk, principal and remaining maturity. The fair value of interest-bearing financial assets and liabilities is determined by discounting the contractual principal and interest payments at estimated current market interest rates for the instrument. Current market rates are determined by reference to current benchmark rates for a similar term and current credit spreads for debt with similar terms and risk. The carrying value and fair value of financial instruments being of equal value are as follows:

| | November 30, 2020 | May 31, 2020 |
|---|---|---|
| Financial assets | | |
| Cash and cash equivalents | $ 65,327 | $ 8,777 |
| Sundry receivable | 10,741 | 11,230 |
| Financial liabilities | | |
| Accounts payable and accrued liabilities | 84,229 | 93,905 |
| Related party payables | 53,109 | 61,028 |

**Fair Value Hierarchy**
The Corporation values instruments carried at fair value using quoted market prices, where available. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Corporation maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3.

**(All Amounts are in Canadian Dollars)**

**11. Financial Instruments** - continued

The following table outlines financial assets and liabilities measured at fair value in the Financial Statements and the level of the inputs used to determine those fair values in the context of the hierarchy as defined above:

| As at November 30, 2020 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Cash and cash equivalents | $ 65,327 | $ — | $ — | $ 65,327 |
| Sundry receivables | — | 10,741 | — | 10,741 |
| Total Assets | $ 65,327 | $ 10,741 | $ — | $ 76,068 |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | $ 84,229 | $ — | $ — | $ 84,229 |
| Related party balances | — | 53,109 | — | 53,109 |
| Total liabilities | $ 84,229 | $ 53,109 | $ — | $ 137,338 |

Level 3 fair values are based on a number of valuation techniques other than observable market data. There are no level 3 values currently recorded on the balance sheet of the Corporation.

**12. Heath Risk**

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to businesses domestically as well as internationally resulting in an economic slowdown globally. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation and its operations in future periods.

**13. Proposed Transaction**

On September 24, 2019, the Corporation signed a Letter of Intent ("**14th-LOI**") with 14th Round Inc. ("**14th**"), a design and technology company within in the cannabis industry, whereby the parties will complete a business combination by way of a transaction that will constitute a reverse takeover of the Corporation by 14th (the "**Transaction**"). In connection with the Transaction, the resulting issuer that will exist upon completion of the Transaction (the "**Resulting Issuer**") will apply to list on the Canadian Securities Exchange (the "**CSE**") and will change its business to the cannabis industry and is expected to change its name to "14th Round Inc." or such other name as determined by 14th.

**13. Proposed transaction** - continued

The Transaction is subject to a number of conditions precedents that include among other things the following:

- Completion of a financing with gross proceeds of $5 million;
- Shareholders of the Corporation approving the name change and certain items relating to the Transaction; and
- CSE approval of the Listing Application

Should the Transaction not close, the Corporation may be entitled to a break fee of $150,000 under certain circumstances. In November 2020, the Corporation received $75,000 to extend the closing.