



**ROSS RIVER MINERALS INC.**

**Consolidated Financial Statements**

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

(Expressed in Canadian Dollars)

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of Ross River Minerals Inc.

#### Opinion

We have audited the consolidated financial statements of Ross River Minerals Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

#### Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company had no revenues, had negative cash flows from operations, and incurred a net loss of \$30,809 during the year ended December 31, 2020 and, as of that date, the Company had a working capital deficit of \$381,205 and an accumulated deficit of \$14,397,141. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Henry Chow.



Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

April 26, 2021

**ROSS RIVER MINERALS INC.**  
**Consolidated Statements of Financial Position**  
**(Expressed in Canadian Dollars)**

	December 31, 2020	December 31, 2019
<b>Assets</b>		
Current assets		
Cash	\$ 5,854	\$ 732
Amounts receivable	2,580	1,318
<b>Total assets</b>	<b>\$ 8,434</b>	<b>\$ 2,050</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 25,810	\$ 21,475
Loans payable (Note 4)	339,204	307,346
Due to related parties (Note 4 and 6)	24,625	23,625
<b>Total Liabilities</b>	<b>389,639</b>	<b>352,446</b>
<b>Shareholders' Deficit</b>		
Share capital	11,815,546	11,815,546
Reserves	2,200,390	2,200,390
Deficit	(14,397,141)	(14,366,332)
<b>Total shareholders' deficit</b>	<b>(381,205)</b>	<b>(350,396)</b>
<b>Total liabilities and shareholders' deficit</b>	<b>\$ 8,434</b>	<b>\$ 2,050</b>

Nature of Business and Continuation of Operations (Note 1)  
Proposed Transaction (Note 9)

Approved and authorized for issuance by the Board of Directors on April 26, 2021:

"Aleem Nathwani" (signed)  
Director

"Kara Norman" (signed)  
Director

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

**ROSS RIVER MINERALS INC.**  
**Consolidated Statements of Operations and Comprehensive Loss**  
**(Expressed in Canadian Dollars)**

	Year ended December 31, 2020	Year ended December 31, 2019
<b>Operating expenses</b>		
Administrative	\$ 169	\$ 136
Consulting and management fees (Note 6)	3,000	22,500
Professional fees	9,410	21,410
Transfer agent and filing fees	16,372	11,540
<b>Total operating expenses</b>	<b>28,951</b>	<b>55,586</b>
Net loss before other expense	(28,951)	(55,586)
Other expense		
Interest expense	(1,858)	—
<b>Net loss and comprehensive loss</b>	<b>\$ (30,809)</b>	<b>\$ (55,586)</b>
<b>Net loss per share, basic and diluted</b>	<b>\$ —</b>	<b>\$ (0.01)</b>
<b>Weighted average number of shares outstanding, basic and diluted</b>	<b>8,600,999</b>	<b>8,597,026</b>

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

**ROSS RIVER MINERALS INC.**  
**Consolidated Statements of Changes in Equity**  
**(Expressed in Canadian Dollars)**

	Share capital		Reserves	Deficit	Total
	Number	Amount			
<b>Balance, December 31, 2018</b>	<b>8,575,999</b>	<b>\$ 11,810,546</b>	<b>\$ 2,200,390</b>	<b>\$ (14,310,746)</b>	<b>\$ (299,810)</b>
Shares issued for warrants exercised	25,000	5,000	–	–	5,000
Net loss for the year	–	–	–	(55,586)	(55,586)
<b>Balance, December 31, 2019</b>	<b>8,600,999</b>	<b>\$ 11,815,546</b>	<b>\$ 2,200,390</b>	<b>\$ (14,366,332)</b>	<b>\$ (350,396)</b>
Net loss for the year	–	–	–	(30,809)	(30,809)
<b>Balance, December 31, 2020</b>	<b>8,600,999</b>	<b>\$ 11,815,546</b>	<b>\$ 2,200,390</b>	<b>\$ (14,397,141)</b>	<b>\$ (381,205)</b>

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

**ROSS RIVER MINERALS INC.**  
**Consolidated Statements of Cash Flows**  
**(Expressed in Canadian Dollars)**

	<b>Year ended December 31, 2020</b>	<b>Year ended December 31, 2019</b>
<b>Operating Activities</b>		
Net loss	\$ (30,809)	\$ (55,586)
Item not affecting cash:		
Interest expense on loans payable	1,858	–
Changes in non-cash operating working capital:		
Amounts receivable	(1,262)	(911)
Accounts payable and accrued liabilities	4,335	15,598
Due to related parties	1,000	23,625
Net cash used in operating activities	(24,878)	(17,274)
<b>Financing Activities</b>		
Proceeds from issuance of common shares	–	5,000
Proceeds from loan payable	30,000	–
Net cash provided by financing activities	30,000	5,000
<b>Change in cash</b>	<b>5,122</b>	<b>(12,274)</b>
<b>Cash, beginning of year</b>	<b>732</b>	<b>13,006</b>
<b>Cash, end of year</b>	<b>\$ 5,854</b>	<b>\$ 732</b>

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

**ROSS RIVER MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2020 and 2019**  
**(Expressed in Canadian Dollars)**

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**1. NATURE OF BUSINESS AND CONTINUANCE OF OPERATIONS**

Ross River Minerals Inc. (the "Company") was incorporated on June 12, 1996 under the laws of the province of British Columbia as 521844 B.C. Ltd. The Company changed its name to Ross River Minerals Inc. on May 22, 2002. The Company is an exploration stage company and is engaged in the acquisition, exploration, and development of mineral resource properties. The Company is currently looking for new business opportunities.

The head office and records office of the Company are located at Suite 1050, 1040 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4H1. The Company is listed for trading on the TSX Venture Exchange under the symbol "RRM.H".

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The impact on the Company's operations has not been significant, and management continues to monitor the situation.

These consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future and that management does not intend to liquidate the Company or to cease trading, or has no realistic alternative but to do so. During the year ended December 31, 2020, the Company had no revenues and negative cash flows from operations. As at December 31, 2020, the Company had a working capital deficiency of \$381,205 and an accumulated deficit of \$14,397,141. These factors indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future. These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary should the Company be unable to continue in existence.

**2. BASIS OF PRESENTATION**

**(a) Statement of Compliance**

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

**(b) Basis of Measurement**

These consolidated financial statements have been prepared on the historical cost basis. All figures presented in these consolidated financial statements are in Canadian dollars, unless otherwise indicated.

**(c) Basis of Consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned inactive subsidiaries, Minera Rio Ross S.A. de C.V. and 1174703 B.C. Ltd., which was incorporated in British Columbia, Canada on August 3, 2018.

**ROSS RIVER MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
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**(Expressed in Canadian Dollars)**

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**2. BASIS OF PRESENTATION** (continued)

**(d) Significant Accounting Policies**

**Cash and Cash Equivalents**

The Company considers all highly liquid investments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risks of changes in value to be cash equivalents.

**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 balance sheet 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. The increase in the obligation due to the passage of time is recognized as a finance expense.

**Income (Loss) Per Share**

Basic income (loss) per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted income per share. Stock options, share purchase warrants, and other equity instruments are dilutive when the average market price of the common shares during the period exceeds the exercise price of the options, warrants and other equity instruments. Diluted and basic income per share are the same because the effects of potential issuances of shares under options and warrants would be anti-dilutive.

**Income Taxes**

(i) Current income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of each reporting period.

(ii) Deferred income tax

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

**ROSS RIVER MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
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**2. BASIS OF PRESENTATION** (continued)

**(d) Significant Accounting Policies** (continued)

**Share Capital**

The proceeds from the exercise of stock options, warrants and purchase of shares are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company.

Share capital issued for non-monetary consideration is recorded at an amount based on the fair market value of these shares.

All costs related to issuances of share capital are charged against the proceeds received from the related share capital.

**Share-based payments**

The Company grants share-based awards to employees, directors, and consultants as an element of compensation. The fair value of the awards is recognized over the vesting period as share-based compensation expense and share-based payment reserve. The fair value of share-based payments is determined using the Black-Scholes option pricing model using estimates at the date of the grant. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the consolidated statement of operations with a corresponding entry within equity, against share-based payment reserve. No expense is recognized for awards that do not ultimately vest. When stock options are exercised, the proceeds received, together with any related amount in share-based payment reserve, are credited to share capital.

Share-based payments arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, unless the fair value cannot be estimated reliably. If the Company cannot reliably estimate the fair value of the goods or services received, the Company will measure their value by reference to the fair value of the equity instruments granted.

**Comprehensive income**

Comprehensive income or loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources, and comprises net income or loss and other comprehensive income or loss.

**Critical accounting judgments and estimates**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and could be material. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both the current and future periods.

Significant areas requiring the use of estimates include unrecognized deferred income tax assets.

The Company applies judgment in the application of the going concern assumption, which requires management to take into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period.

**ROSS RIVER MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
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**(Expressed in Canadian Dollars)**

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**2. BASIS OF PRESENTATION** (continued)

**(d) Significant Accounting Policies** (continued)

**Financial Instruments**

Classification and measurement – initial recognition

On initial recognition, all financial assets and liabilities are classified and recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as at fair value through profit or loss (“FVTPL”).

Classification and measurement – subsequent to initial recognition

Subsequent measurement of financial assets and liabilities depends on their classification and measurement basis.

*Financial Assets*

Subsequent to initial recognition, financial assets are measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss, depending on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if both of the following conditions are met:

- a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) 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.

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- b) 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.

Financial assets that do not meet the above conditions are classified as fair value through profit or loss. The Company’s cash and amounts receivable are measured at amortized cost.

*Financial Liabilities*

Subsequent to initial recognition, financial liabilities are measured at amortized cost, unless designated as fair value through profit or loss. The Company’s accounts payable and accrued liabilities, loans payable, and amounts due to related parties are measured at amortized cost.

Impairment of Financial Assets

The Company applies the expected credit loss (“ECL”) model to its financial assets measured at amortized cost. Under the ECL model, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

**ROSS RIVER MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
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**(Expressed in Canadian Dollars)**

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**2. BASIS OF PRESENTATION** (continued)

**(d) Significant Accounting Policies** (continued)

**Financial Instruments** (continued)

Upon recognition of a financial asset, 12-month ECLs are recognized in the consolidated statement of operations and a loss allowance is established. At each reporting date, if the credit risk associated with a financial asset has increased significantly and is not considered low, lifetime ECLs are recognized in the consolidated statement of operations.

**Foreign Currency Translation**

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The Company's functional and reporting currency is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities that are denominated in foreign currencies are translated at the rate of exchange at the consolidated statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in the consolidated statement of operations for the period.

**3. RECENT ACCOUNTING PRONOUNCEMENTS**

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended December 31, 2020, and have not been early adopted in preparing these consolidated financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

**4. LOANS PAYABLE**

- (a) As at December 31, 2020, the Company owes \$307,346 (2019 - \$307,346) to third parties, which are unsecured, non-interest bearing, and due on demand.
- (b) On May 19, 2020, the Company received loan proceeds of \$30,000 from a third party, which is unsecured, bears interest at 10% per annum, and is due on demand. As at December 31, 2020, the Company owes \$31,858 (2019 - \$nil), which includes \$1,858 (2019 - \$nil) of accrued interest.

**ROSS RIVER MINERALS INC.**  
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**5. SHARE CAPITAL**

(a) Authorized

An unlimited number of common shares without par value

(b) Issued

On February 28, 2019, the Company issued 25,000 common shares for proceeds of \$5,000 pursuant to the exercise of share purchase warrants.

(c) Stock options

The Company amended its share-based compensation plan whereby stock options are granted in accordance with the policies of regulatory authorities at an exercise price equal to the market price of the Company's stock on the date of the grant and, unless otherwise stated, vest on the grant date and with a term not to exceed five years. Under the plan, the board of directors may grant up to 10% of the issued number of shares outstanding as at the date of the stock option grant. There were no stock options outstanding as at December 31, 2020 and 2019.

(d) Share Purchase Warrants

The following table summarizes the continuity of the Company's share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Balance, December 31, 2018	4,824,998	0.20
Exercised	(25,000)	0.20
Expired	(4,799,998)	0.20
Balance, December 31, 2019 and 2020	—	—

**6. RELATED PARTY TRANSACTIONS**

Related parties include the Board of Directors, Executive Officers and any companies owned or controlled by them.

**Compensation of Key Management Personnel**

Key management personnel consist of current and former directors and senior management including the current and former President, Chief Executive Officer, and Chief Financial Officer. Key management personnel compensation for the years ended December 31, 2020 and 2019 includes:

	2020	2019
	\$	\$
Consulting and management fees	3,000	22,500

The amounts owing to key management personnel, which are non-interest bearing, unsecured, and due on demand and are as follows:

	December 31, 2020	December 31, 2019
	\$	\$
Amounts due to the former CEO	23,625	23,625
Amounts due to the CFO	1,000	—
	24,625	23,625

**ROSS RIVER MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
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**7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

(a) Fair Values

The fair values of financial instruments, including cash, accounts payable and accrued liabilities, amounts due to related parties, and loans payable, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counter-party default on its obligation. The Company minimizes its credit risk associated with its cash balance by dealing with major financial institutions in Canada. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate and Interest Rate Risk

The Company is not exposed to any significant foreign exchange rate or interest rate risk.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company manages liquidity risk by maintaining sufficient cash balances and adjusting its operating budget and expenditure. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term and other specific obligations.

(e) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

**8. CAPITAL MANAGEMENT**

The Company is actively looking to acquire an interest in a business or assets and this involves a high degree of risk. The Company has not determined whether it will be successful in its endeavours and does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of share capital. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations, and is not subject to any externally imposed capital requirements.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern.

The Company defines its capital as shareholders' equity. Capital requirements are driven by the Company's general operations. To effectively manage the Company's capital requirements, the Company monitors expenses and overhead to ensure costs and commitments are being paid.

There have been no changes to the Company's approach to capital management during the period.

**ROSS RIVER MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
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**(Expressed in Canadian Dollars)**

**9. PROPOSED TRANSACTION**

On August 8, 2018, the Company signed an Amalgamation Agreement (the “Agreement”) pursuant to which the Company will acquire all of the outstanding shares of Innovate Phytotechnologies Inc. (“Innovate”), an analytical research and development organization providing licensing and product development solutions in the cannabis, food, drug, and health products sectors, in a three-cornered amalgamation in exchange for 50,758,969 common shares of the Company and 9,350,000 share purchase warrants at \$0.02 per share until March 31, 2023.

In addition, the Company will issue 6,666,666 common shares in a private placement for proceeds of \$5,000,000 and issue an additional 14,285,714 common shares for the conversion of \$5,000,000 of convertible notes at a conversion price of \$0.35 per share which is being issued in conjunction with the completion of the Agreement. Furthermore, the Company will issue 10,758,969 common shares to Innovate share purchase warrant holders to be exercisable into common shares of the Company at \$0.30 per share and up to 1,000,000 common shares for finder’s fees.

The Company is still in discussions with Innovate to finalize the transaction, although the terms to the proposed transaction could be amended due to current market conditions.

**10. INCOME TAXES**

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2020 \$	2019 \$
Canadian statutory income tax rate	27%	27%
Income tax provision (recovery) at statutory rate	(8,318)	(15,008)
Tax effect of:		
Permanent differences and other	–	2,701
Expiry of losses	1,823,902	–
Change in unrecognized deferred income tax assets	(1,815,584)	12,307
Income tax provision	–	–

The significant components of deferred income tax assets and liabilities are as follows:

	2020 \$	2019 \$
Deferred income tax assets		
Non-capital losses carried forward	1,006,263	2,704,497
Property and equipment	4,312	4,312
Resource pools	62,275	179,625
Total deferred income tax assets	1,072,850	2,888,434
Unrecognized deferred income tax assets	(1,072,850)	(2,888,434)
Net deferred income tax asset	–	–

**ROSS RIVER MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2020 and 2019**  
**(Expressed in Canadian Dollars)**

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**10. INCOME TAXES** (continued)

As at December 31, 2020, the Company has non-capital losses carried forward of \$3,725,110, which are available to offset future years' taxable income which will expire as follows:

	\$
2026	546,723
2027	624,090
2028	554,979
2029	448,605
2030	391,365
2031	272,933
2032	252,483
2033	136,066
2034	100,475
2035	94,184
2036	84,952
2037	61,297
2038	70,563
2039	55,586
2040	30,809
	<hr/>
	3,725,110

The Company also has available mineral resources related expenditure pools totaling \$230,649 which may be deducted against future taxable income on a discretionary basis.