Califfi Capital Corp.

Financial Statements

February 29, 2020

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Califfi Capital Corp.

Opinion

We have audited the accompanying financial statements of Califfi Capital Corp. (the "Company"), which comprise the statements of financial position as at February 29, 2020 and February 28, 2019, and the statements of changes in shareholders' equity, loss and comprehensive loss, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at February 29, 2020 and February 28, 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Glenn Parchomchuk.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada — Chartered Professional Accountants

May 26, 2020

Califfi Capital Corp.

Statements of Financial Position

As at February 29, 2020 and February 28, 2019

	Note	**February 29, 2020 $**	February 28, 2019 $
Assets			
Current assets			
Cash and cash equivalents	3	619,179	707,319
Receivables and prepayments	4	5,200	5,912
Total assets		**624,379**	713,231
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		7,090	15,856
Accounts payable to related parties	7	53,452	30,376
Total liabilities		**60,542**	46,232
Shareholders' equity			
Share capital	5	921,898	865,961
Contributed surplus	5	111,948	131,685
Deficit		(470,009)	(330,647)
Total shareholders' equity		**563,837**	666,999
Total liabilities and shareholders' equity		**624,379**	713,231
Nature of operations and going concern	1		
Event after the reporting period	11		

Approved on behalf of the Board of Directors on May 26, 2020:

"Alfredo De Lucrezia" **Director** *"Maurizio Grande"* **Director**

Califfi Capital Corp.

Statements of Changes in Shareholders' Equity

For the years ended February 29, 2020 and February 28, 2019

	Number of shares #	Share capital $	Contributed surplus $	Deficit $	Total shareholders' equity $
March 1, 2018	15,000,000	846,882	138,264	(223,197)	761,949
Exercise of compensation options	125,000	12,500	-	-	12,500
Re-allocation on exercise of compensation options	-	6,579	(6,579)	-	-
Loss and comprehensive loss for the year	-	-	-	(107,450)	(107,450)
February 28, 2019	15,125,000	865,961	131,685	(330,647)	666,999
March 1, 2019	15,125,000	865,961	131,685	(330,647)	666,999
Exercise of compensation options	362,000	36,200	-	-	36,200
Re-allocation on exercise of compensation options	-	19,053	(19,053)	-	-
Re-allocation on expiry of compensation options	-	684	(684)	-	-
Loss and comprehensive loss for the year	-	-	-	(139,362)	(139,362)
February 29, 2020	**15,487,000**	**921,898**	**111,948**	**(470,009)**	**563,837**

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

Califfi Capital Corp.

Statements of Loss and Comprehensive Loss

For the years ended February 29, 2020 and February 28, 2019

	Note	**2020** $	2019 $
Expenses			
General and administrative expenses	7	57,524	48,563
Professional fees	7	70,511	55,767
Transfer agent and filing fees		18,875	10,317
Loss from operating expenses		**(146,910)**	(114,647)
Interest income		7,548	7,197
Loss and comprehensive loss for the year		**(139,362)**	(107,450)
Loss per share			
Weighted average number of common shares outstanding			
- Basic #	6	**5,347,541**	5,071,918
- Diluted #	6	**5,347,541**	5,071,918
Basic loss per share $	6	**(0.03)**	(0.02)
Diluted loss per share $	6	**(0.03)**	(0.02)

Califfi Capital Corp.

Statements of Cash Flows

For the years ended February 29, 2020 and February 28, 2019

	Note	**2020** **$**	2019 $
Operating activities			
Loss and comprehensive loss for the year		(139,362)	(107,450)
Adjustments for:			
Interest received		(5,350)	(6,354)
Net change in non-cash working capital items	9	15,022	4,544
		(129,690)	(109,260)
Financing activities			
Issue of common shares for cash		**36,200**	12,500
Investing activities			
Interest received		**5,350**	6,354
Net decrease in cash and cash equivalents		**(88,140)**	(90,406)
Cash and cash equivalents, beginning of year		**707,319**	797,725
Cash and cash equivalents, end of year		**619,179**	707,319
Supplemental cash flow information	9		

1. Nature of operations and going concern

Califfi Capital Corp. (the "Company") was incorporated on November 24, 2016 under the laws of the Province of British Columbia, Canada, as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. Head office is located at 423 10th Street E, North Vancouver, British Columbia, Canada, V7L 2E5. The principal business of the Company is the identification and evaluation of assets, or a business, and once identified or evaluated, to negotiate the acquisition or participation in the business (the "Qualifying Transaction"), subject to, if a non-arm's length Qualifying Transaction, receipt of majority approval of the minority shareholders and acceptance by regulatory authorities. Until the completion of a Qualifying Transaction, the Company is not permitted to carry on any other business.

On April 5, 2019, the Company entered into a letter of intent to acquire Fenix Gold Inc. ("Fenix"), a private mineral exploration company incorporated in Ontario and has interests in certain mineral concessions comprising the Abriaqui and Santo Domingo gold mineral exploration projects in Colombia (the "Acquisition"). On February 27, 2020, the Company announced that Fenix had withdrawn from the Acquisition with the Company. The Acquisition was intended to constitute the Company's Qualifying Transaction.

Subsequent to February 29, 2020, the Company processed a Notice of Civil claim against Fenix and its principal shareholder as a result of Fenix's withdrawal from the transaction (Note 11).

These financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. The Company does not have revenues and has incurred operating losses since incorporation. As at February 29, 2020, the Company had working capital of $563,837 (February 28, 2019 – $666,999), and shareholders' equity of $563,837 (February 28, 2019 - $666,999). Management has assessed that this working capital is sufficient for the Company to continue as a going concern beyond one year. The continuation of the Company is dependent upon the continuing financial support of shareholders and the completion of its proposed Qualifying Transaction. If the going concern assumption were not appropriate for these financial statements, it would be necessary to restate the Company's assets and liabilities on a liquidation basis.

2. Significant accounting policies

(a) Basis of presentation

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

These financial statements have been prepared on an historical cost basis, except for financial instruments which are classified as fair value through profit or loss ("FVTPL"). In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

All amounts on the financial statements are presented in Canadian dollars which is the functional currency of the Company.

2. Significant accounting policies (continued)

(b) Financial instruments

The Company classifies its financial instruments in the following categories: as FVTPL, fair value through other comprehensive income (loss) ("FVOCI"), financial assets at amortized cost, and financial liabilities at amortized cost. The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of financial assets and liabilities at initial recognition.

(i) Financial assets

Recognition

The Company recognizes financial assets and financial liabilities on the date the Company becomes a party to the contractual provisions of the instruments.

Classification

The Company classifies its financial assets and financial liabilities using the following measurement categories:

(a) Those to be measured subsequently at fair value (either through other comprehensive income (loss) or through profit or loss); and

(b) Those to be measured at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (an irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income (loss).

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Cash and cash equivalents are classified as FVTPL and are accounted for at fair value.

(ii) Financial liabilities

The Company has the following financial liabilities at amortized cost: accounts payable and accrued liabilities, and accounts payable to related parties.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Interest expense is recorded to profit or loss.

2. Significant accounting policies (continued)

(c) Impairment

(i) Financial assets

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

(ii) Non-financial assets

Non-financial assets are reviewed quarterly by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the CGU level, which 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. The recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent that the carrying amount exceeds the recoverable amount.

(d) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their fair value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a private placement to be the more easily measurable component and the common shares are valued at their fair value. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus.

(e) Share-based payment transactions

The Company has a stock option plan that provides for the granting of options to Officers, Directors, related company employees and consultants to acquire shares of the Company. The fair value of the options is measured on grant date and is recognized as an expense with a corresponding increase in contributed surplus as the options vest.

Options granted to employees and others providing similar services are measured on grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

Over the vesting period, share-based payments are recorded as an operating expense and as contributed surplus. When options are exercised, the consideration received is recorded as share capital. In addition, the related share-based payments originally recorded as contributed surplus are transferred to share capital. When an option is cancelled, or expires, the initial recorded value is reversed from contributed surplus and credited to deficit.

2. Significant accounting policies (continued)

(f) Income taxes

Income tax expense is comprised of current and deferred income taxes. Current income tax and deferred income tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or equity investments.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

(g) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year, excluding seed shares which are held in escrow. Diluted EPS is determined by dividing the profit or loss attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for the effects of all potentially dilutive common shares related to outstanding stock options and warrants issued by the Company. 10,000,000 common shares were excluded from the calculation as they are held in escrow and all conditions necessary for their release from escrow have not been satisfied (Note 6).

2. Significant accounting policies (continued)

(h) New accounting standards

The Company adopted the following accounting standards that are effective for accounting periods beginning on or after January 1, 2019:

- New standard IFRS 16 - *Leases*

  IFRS 16, Leases ("IFRS 16") was issued by the IASB on January 13, 2016, and replaced IAS 17, Leases. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 requires a single, on-balance sheet accounting model that is similar to current finance lease accounting. Leases become an on-balance sheet liability that attract interest, together with a new asset.

  The Company does not have any leases and accordingly, there was no impact to the Company's financial statements as a result of adopting this new standard.

- New Interpretation IFRIC 23 - *Uncertainty over Income Tax Treatments*

  On June 7, 2017, the IASB issued IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments ("IFRIC 23"). IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments.

  There was no impact to the Company's financial statements as a result of adopting this new standard.

3. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	February 29, 2020	February 28, 2019
	$	$
Bank balance	114,491	106,476
Cashable investment certificates	504,688	600,843
	619,179	707,319

4. Receivables and prepayments

Receivables and prepayments consist of the following:

	February 29, 2020	February 28, 2019
	$	$
Prepaid expenses	5,200	5,200
Sales tax recoverable	-	712
	5,200	5,912

5. Share capital

The authorized share capital of the Company consists of unlimited common shares without par value. All issued shares are fully paid.

Transactions for the issue of share capital during the year ended February 29, 2020:

- The Company issued 362,000 common shares on the exercise of compensation options for proceeds of $36,200. In addition, $19,053 representing the fair value of the options on initial vesting was re-allocated from contributed surplus to share capital.

Transactions for the issue of share capital during the year ended February 28, 2019:

- The Company issued 125,000 common shares on the exercise of compensation options for proceeds of $12,500. In addition, $6,579 representing the fair value of the options on initial vesting was re-allocated from contributed surplus to share capital.

Escrowed securities

The Company entered into an Escrow Agreement in relation to 10,000,000 common shares ("Seed Shares") issued prior to the Company's Initial Public Offering ("IPO"), whereby the Seed Shares have been deposited into escrow.

Pursuant to the Escrow Agreement, 10,000,000 Seed Shares were placed in escrow. Upon the Company completing a Qualifying Transaction, the escrowed common shares will be subject to a timed release over a 36-month period. Should the proposed Agreement not be finalized, one-half of the Seed Shares may be subject to cancellation in accordance with the policies of the TSX-V.

As at February 29, 2020, 10,000,000 (February 28, 2019 – 10,000,000) common shares are held in escrow.

Stock options

The Company has adopted an incentive stock option plan (the "Plan"). The essential elements of the Plan provide that the aggregate number of common shares of the Company's capital stock issuable pursuant to options granted under the Plan may not exceed 10% of the issued and outstanding common shares. Options granted under the Plan will have a maximum term of ten years. The exercise price of options granted under the Plan will not be less than the market price of the common shares (defined as the last closing market price of the Company's common shares immediately preceding the day on which the Company announces the granting of the options), or such other price as may be agreed to by the Company and accepted by the TSX-V. Vesting terms are determined by the Board of Directors at the time of grant.

A summary of the status of the Company's stock options as at February 29, 2020 and February 28, 2019 and changes during the years then ended is as follows:

	Year ended February 29, 2020		Year ended February 28, 2019	
	Options #	Exercise price $	Options #	Exercise price $
Options outstanding, beginning of year	1,500,000	0.10	1,500,000	0.10
Options outstanding, end of year	**1,500,000**	**0.10**	1,500,000	0.10

5. Share capital (continued)

Stock options (continued)

As at February 29, 2020 the Company has stock options outstanding and exercisable as follows:

Options outstanding #	Options exercisable #	Exercise price $	Expiry date	Average remaining life (years)
1,500,000	1,500,000	0.10	July 19, 2022	2.39

The 1,500,000 stock options outstanding as at February 29, 2020, are held by Officers and Directors of the Company. If the stock options are exercised before a Qualifying Transaction has been completed, the Optionee must agree in writing that the shares acquired be held in escrow until the issuance of a Final Exchange Bulletin confirming the Qualifying Transaction.

No stock options were granted during the years ended February 29, 2020 and February 28, 2019.

Compensation options

A summary of the status of the Company's compensation options as at February 29, 2020 and February 28, 2019 and changes during the years then ended is as follows:

	Year ended February 29, 2020		Year ended February 28, 2019	
	Compensation options #	Exercise price $	Compensation options #	Exercise price $
Compensation options outstanding, beginning of year	375,000	0.10	500,000	0.10
Compensation options exercised	(362,000)	0.10	(125,000)	0.10
Compensation options expired	(13,000)	0.10	-	-
Compensation options outstanding, end of year	**-**	**-**	375,000	0.10

No compensation options were issued during the years ended February 29, 2020 and February 28, 2019. As at February 29, 2020, there were no compensation options outstanding and exercisable.

5. **Share capital** (continued)

Contributed surplus

Contributed surplus includes the accumulated fair value of stock options recognized as share-based payments and the fair value of options or warrants issued on private placements. Contributed surplus is increased by the fair value of these items on vesting and is reduced by corresponding amounts when the options or warrants expire or are exercised or cancelled.

	Stock options $	Compensation options $	Total $
March 1, 2018	111,948	26,316	138,264
Compensation options exercised	-	(6,579)	(6,579)
February 28, 2019	111,948	19,737	131,685
March 1, 2019	111,948	19,737	131,685
Compensation options exercised	-	(19,053)	(19,053)
Compensation options expired	-	(684)	(684)
February 29, 2020	**111,948**	**-**	**111,948**

6. **Loss per share**

The calculation of basic and diluted loss per share for the year ended February 29, 2020, was based on the loss attributable to common shareholders of $139,362 (2019 - $107,450) and a weighted average number of common shares outstanding of 5,347,541 (2019 – 5,071,918).

In accordance with the Company's accounting policy, weighted average number of common shares outstanding excludes 10,000,000 Seed Shares held in escrow (Note 5).

All options were excluded from the diluted weighted average number of common shares calculation, as their effect would have been anti-dilutive.

7. **Related party payables and transactions**

The Company's related parties include key management personnel and Directors and companies in which they have control or significant influence over the financial or operating policies. There were no loans to management personnel or Directors, or entities over which they have control or significant influence, during the years ended February 29, 2020 and February 28, 2019.

Key management personnel and Directors receive no salaries, non-cash benefits (other than incentive stock options), or other remuneration directly from the Company, other than noted below, and there are no employment contracts with them that cannot be terminated without penalty on a thirty-day advance notice. Key management personnel and Directors can participate in the Company's stock option plan. During the years ended February 29, 2020 and February 28, 2019, no stock options were granted to Officers or Directors.

The Company transacted with the following related parties:

(a) Alfredo De Lucrezia is the Company's President and CEO, and a Company Director. He charges for office supplies, office rent, and is reimbursed for administrative expenses.

(b) Larry Donaldson is the Company's CFO. He is a principal of Donaldson Brohman Martin CPA Inc. ("DBM CPA") (formerly Donaldson Grassi Chartered Professional Accountants until January 31, 2019), a firm in which he has significant influence. DBM CPA provides the Company with accounting and tax services.

(c) Glenn Yeadon is the Company's Secretary. He controls Glenn R. Yeadon Personal Law Corporation ("Yeadon Law Corp.") which provides the Company with legal services.

7. Related party payables and transactions (continued)

The aggregate value of transactions and outstanding balances with related parties are as follows:

		Transactions year ended February 29, 2020 $	Transactions year ended February 28, 2019 $	Balances outstanding February 29, 2020 $	Balances outstanding February 28, 2019 $
	Alfredo De Lucrezia - general and administrative	54,722	43,651	3,177	3,876
(1)	DBM CPA - accounting fees	23,000	23,000	12,275	6,500
(1)	Yeadon Law Corp. - legal fees	38,000	25,729	38,000	20,000
		115,722	92,380	**53,452**	30,376

(1) Transactions are included within professional fees.

All related party balances are unsecured and are due within thirty days without interest.

8. Income taxes

Income tax recovery varies from the amount that would be computed from applying the combined federal and provincial income tax rate to loss before income taxes as follows:

	February 29, 2020 $	February 28, 2019 $
Loss for the year before income taxes	(139,362)	(107,450)
Statutory Canadian corporate tax rate	27.0%	27.0%
Anticipated income tax recovery	37,628	29,012
Change in tax resulting from:		
Tax benefits on losses and share issue costs not recognized	(37,628)	(29,012)
Net deferred income tax recovery	**-**	-

As at February 29, 2020 the Company has unused non-capital losses of $432,649 (February 28, 2019 - $267,877), of which $20,181 will expire in 2037, $114,910 in 2038, $132,786 in 2039, and $164,772 in 2040, and unclaimed share issue costs of $50,921 (February 28, 2019 - $76,081) which may be carried forward to reduce taxable income in future years. The tax benefit of $130,564 (February 28, 2019 - $92,869) on the losses and share issue costs has not been recognized for tax purposes as there is no certainty that there will be adequate taxable income to utilize the losses and share issue costs.

Tax attributes are subject to review, and potential adjustment, but tax authorities.

9. Supplemental cash flow information

Changes in non-cash operating working capital during the years ended February 29, 2020 and February 28, 2019, were comprised of the following:

	February 29, 2020 $	February 28, 2019 $
Receivables and prepayments	712	(38)
Accounts payable and accrued liabilities	(8,766)	3,896
Accounts payable to related parties	23,076	686
Net change	**15,022**	4,544

9. **Supplemental cash flow information** (continued)

The Company incurred non-cash financing activities during the years ended February 29, 2020 and February 28, 2019 as follows:

	February 29, 2020 $	February 28, 2019 $
Non-cash financing activities:		
Contributed surplus on compensation options exercised	(19,053)	(6,579)
Share issue cost recovery on compensation options exercised	19,053	6,579
Contributed surplus on compensation options expired	(684)	-
Share issue cost recovery on compensation options expired	684	-
	-	-

The Company did not incur any non-cash investing activities during the years ended February 29, 2020 and February 28, 2019.

During the years ended February 29, 2020 and February 28, 2019 there were no amounts paid on account of interest or income taxes.

10. **Financial risk management**

Capital management

The Company is a Capital Pool Company and considers items included in shareholders' equity as capital. The Company has no long-term debt. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets.

In order to maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or make special distributions to shareholders. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. The Company's capital structure as at February 29, 2020 is comprised of shareholders' equity of $563,837 (February 28, 2019 - $666,999). There were no changes to the Company's approach to capital management during the year ended February 29, 2020.

The Company currently has no source of revenues. The Company's ability to continue as a going concern on a long-term basis and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation is dependent upon the continuing financial support of shareholders and the completion of a Qualifying Transaction.

Financial instruments - fair value

The Company's financial instruments consist of cash and cash equivalents, accounts payable and accrued liabilities, and accounts payable to related parties. The carrying value of accounts payable and accrued liabilities and accounts payable to related parties approximated their fair value because of the short-term nature of these instruments.

Financial instruments measured at fair value on the statement of financial position are summarized into the following fair value hierarchy levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash and cash equivalents are measured using Level 1 inputs.

10. Financial risk management (continued)

Financial instruments - risk

The Company's financial instruments can be exposed to certain financial risks, including credit risk, liquidity risk and interest rate risk.

(a) Credit risk

The Company is exposed to credit risk by holding cash and cash equivalents, which are held in a financial institution in Canada. Management believes the exposure to credit risk with respect to such institutions is not significant. The Company has minimal receivables exposure as its sales tax recoverable is due from the Canadian Government.

(b) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed available resources.

(c) Interest rate risk

The Company is exposed to interest rate risk because of fluctuating interest rates on its cash equivalents. For the year ended February 29, 2020, every 1% fluctuation in interest rates would have impacted loss and comprehensive loss during the year, by approximately $5,000 (2019 - $6,000) before income taxes.

11. Event after the reporting period

a) In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

b) On April 30, 2020 (Note 1), the Company processed a Notice of Civil Claim (the "claim") against Fenix and its principal shareholder in the Supreme Court of British Columbia as a result of Fenix's withdrawal from the transaction. The claim is for damages, exemplary and punitive damages, and special damages from breach of contract and for breach of the duty of good faith, plus interest and costs.