

USHA RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

JUNE 30, 2020

(UNAUDITED)

(The accompanying condensed interim consolidated financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors.)

USHA RESOURCES LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited)
AS AT

	June 30, 2020	March 31, 2020
ASSETS		
Current		
Cash	\$ 376,827	\$ 427,529
Receivables	1,747	2,420
Prepaid expenses	<u>8,478</u>	<u>-</u>
	387,052	429,949
Exploration and evaluation assets (Note 5)	236,568	161,568
Exploration advance (Note 5)	<u>34,593</u>	<u>-</u>
	271,161	161,568
	<u>\$ 658,213</u>	<u>\$ 591,517</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	\$ 27,516	\$ 12,315
Flow-through premium liability (Note 6b)	<u>42,000</u>	<u>42,000</u>
	<u>69,516</u>	<u>54,315</u>
Shareholders' equity		
Share capital (Note 6)	850,436	775,436
Reserves (Note 6c)	42,201	42,201
Deficit	<u>(303,940)</u>	<u>(280,435)</u>
	<u>588,697</u>	<u>537,202</u>
	<u>\$ 658,213</u>	<u>\$ 591,517</u>

Nature and continuance of operations (Note 1)

Approved and authorized for issue by the Board of Directors on September 30, 2020:

<u>“Navin Varshney”</u>	Director	<u>“Deepak Varshney”</u>	Director
Navin Varshney		Deepak Varshney	

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

USHA RESOURCES LTD.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

(Unaudited)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019
EXPENSES		
Consulting fees	\$ 6,489	\$ -
Office and miscellaneous	990	362
Professional fees	3,098	28,275
Property investigation	1,259	-
Rent and administration charges (Note 7)	4,500	4,725
Regulatory fees	5,494	13,644
Transfer agent fees	949	944
Travel and entertainment	726	-
	23,504	47,950
Interest income	-	(416)
Loss and comprehensive loss for the period	\$ (23,505)	\$ (47,534)
Basic and diluted loss per common share		
	\$ 0.00	\$ 0.02
Weighted average number of common shares outstanding	5,647,641	2,000,000

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USHA RESOURCES LTD.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Expressed in Canadian Dollars)

(Unaudited)

	Share Capital (Note 6)		Reserves	Deficit	Total Shareholders' Equity
	Shares	Amount			
Balance, March 31, 2019	4,200,000	\$ 206,246	\$ 42,201	\$ (101,476)	\$ 146,971
Loss and comprehensive loss for the period	-	-	-	(47,534)	(47,534)
Balance, June 30, 2019	4,200,000	\$ 206,246	\$ 42,201	\$ (149,010)	\$ 99,437
Balance, March 31, 2020	10,227,000	\$ 775,436	\$ 42,201	\$ (280,435)	\$ 537,202
Qualifying transaction (Note 6b)	500,000	\$ 75,000			\$ 75,000
Loss and comprehensive loss for the period	-	-	-	(23,505)	(23,505)
Balance, June 30, 2020	10,727,000	\$ 850,436	\$ 42,201	\$ (303,940)	\$ 588,697

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USHA RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (23,505)	\$ (47,534)
Changes in non-cash working capital items:		
Decrease in receivable	673	12
Decrease in prepaid expenses	(8,478)	1,365
Increase in accounts payable and accrued liabilities	<u>15,201</u>	<u>5,551</u>
Net cash used in operating activities	<u>(16,109)</u>	<u>(40,606)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Exploration and evaluation assets	(75,000)	-
Exploration advance	<u>(34,593)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>(109,593)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Share capital proceeds	<u>75,000</u>	<u>-</u>
Net cash provided (used) in financing activities	<u>75,000</u>	<u>-</u>
Increase (decrease) in cash for the period	(50,702)	(40,606)
Cash, beginning of period	<u>427,529</u>	<u>176,701</u>
Cash, end of period	<u>\$ 376,827</u>	<u>\$ 136,095</u>
Cash paid during the period for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid during the period for income taxes	<u>\$ -</u>	<u>\$ -</u>

Supplemental information:

For the three months ended June 30, 2020, the Company issued 500,000 shares with a value of \$75,000 as consideration for the exploration and evaluation additional 34% interest in the Nicobat Property located in Northwest Ontario, for a total interest of 85%.

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

USHA RESOURCES LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JUNE 30, 2020
(Expressed in Canadian Dollars)
(Unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

Usha Resources Ltd. (the "Company") was incorporated as a private company by Certificate of Incorporation issued pursuant to the provisions of the *Business Corporations Act* on February 26, 2018. The Company was classified as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4 and its Qualifying Transaction was approved by the regulatory authorities during the year ended March 31, 2020 (Note 5).

The Company is listed for trading on the TSX-V under the symbol USHA.V. The Company's head office address is 1575 Kamloops Street, Vancouver BC, V5K 3W1, Canada. The registered and records office address is 400 – 725 Granville Street, Vancouver BC, V7Y 1G5, Canada.

The Company's business is to acquire and explore interests in mineral properties located in North America, the first of which is its 51% interest in its Nicobat Project in Ontario, Canada that was acquired as part of its Qualifying Transaction.

The Company's exploration and evaluation properties are at the exploration stage. The business of exploring for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes, to acquire construction and operating permits and to construct mining and processing facilities.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions. On June 1, 2020, the Company incorporated a 100% subsidiary Usha Resources (USA) Corp.

These financial statements are presented in Canadian dollars, which is the functional currency of the Company.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company 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. While the Company has been successful in obtaining its required financing in the past, there is no assurance that such financing will be available or be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

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 ability to raise funds.

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements have been prepared using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and

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2. BASIS OF PREPARATION (cont'd...)

loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These condensed interim consolidated financial statements, presented in Canadian dollars, should be read in conjunction with the Company's audited annual financial statements for the year ended March 31, 2020.

Basis of Measurement

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. Critical estimates and judgements are discussed more fully in the Company's audited annual financial statements for the year ended March 31, 2020.

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The accounting policies and methods of computation followed in preparing these condensed interim consolidated financial statements are substantially the same as those followed in preparing the most recent audited annual financial statements. Changes to accounting policies adopted on April 1, 2020 as a result of changes to standards resulted in no material impact to the financial statements. For a summary of significant accounting policies and expected changes to accounting standards that have been announced but are not yet effective, please refer to the Company's audited annual financial statements for the year ended March 31, 2020.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these judgments, estimates and assumptions could result in

outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The information about significant areas of judgment considered by management in preparing the financial statements is as follows:

- i) The carrying value and the recoverability of exploration and evaluation assets included in the statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.
- ii) The inputs used in calculating the fair value for share-based payments expense included in profit or loss and share-based share issuance costs included in shareholders' equity. The share-based payments expense is estimated using the Black-Scholes options-pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly subjective assumptions, including the expected

3. BASIS OF PREPARATION (cont'd...)

price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate.

- iii) The valuation of shares issued in non-cash transactions. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.
- iv) Deferred tax assets are recognized in respect of tax losses and other temporary differences to the extent it is probable that taxable income will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future tax planning strategies.

3. SIGNIFICANT ACCOUNTING POLICIES

Exploration and evaluation assets

Pre-exploration costs are expensed as incurred. Costs related to the acquisition and exploration of mineral properties are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets after an impairment test and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the mineral property. If payments received exceed the capitalized cost of the mineral property, the excess is recognized as income in the year received. The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than the carrying amount, the carrying amount of the asset is reduced to the recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Impairment (cont'd...)

that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provision for environmental rehabilitation

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

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the year. The Company had no provisions for environmental rehabilitation as at June 30, 2020.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Share-based payments

The Company may grant stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Flow-through common shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and ii) share capital. Upon expenses

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Flow-through common shares (cont'd...)

being incurred, the Company derecognizes the flow-through premium liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income.

Proceeds received from the issuance of flow-through shares are restricted to be used for only Canadian resource property exploration expenditures within a two-year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the “Look-back” Rule, in accordance with the Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities which affect neither accounting nor taxable loss as well as differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

IFRS 9 establishes three primary measurement categories for financial assets: fair value through profit and loss (“FVTPL”), fair value through other comprehensive income (“FVOCI”) and amortized cost. The basis for classification depends on the entity’s business model and the contractual cash flow characteristics of the instrument.

Classification

The Company determines the classification of its financial instruments at initial recognition. Upon initial recognition, a financial asset is classified as measured at: amortized cost, fair value through profit and loss (“FVTPL”), or fair value through other comprehensive income (loss) (“FVOCI”). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial liability is classified and measured at amortized cost or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Classification (cont'd...)

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

An equity investment that is held for trading is measured at FVTPL. For other equity investments that are not held for trading, the Company may irrevocably elect to designate them as FVOCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has elected to measure them at FVTPL.

The Company classifies its financial instruments as follows:

Asset or Liability	IFRS 9 Classification
Cash	FVTPL
Receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Measurement

Initial measurement

On initial recognition, all financial assets and financial liabilities are measured at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as FVTPL, in which case the transaction costs are expensed as incurred.

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial instruments:

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Measurement (cont'd...)

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income is calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Impairment of financial instruments

Impairment of financial assets at amortized cost: 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 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.

4. NEW ACCOUNTING STANDARD ADOPTED

IFRS 16 – Leases

The Company adopted IFRS 16 - Leases ("IFRS 16") on April 1, 2019. The objective of the new standard is to eliminate the classification of leases as either operating or financing leases for a lessee and report all leases on the statement of financial position. The only exemption to this will be for leases that are one year or less in duration or for leases of assets with low values.

Under IFRS 16 a lessee is required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligations to make lease payments. IFRS 16 also changes the nature of expenses relating to leases, as lease expenses previously recognized for operating leases are replaced with depreciation expense on capitalized right-of-use assets and finance or interest expense for the corresponding lease liabilities associated with the capitalized right-of-use leased assets.

The Company adopted IFRS 16 using the modified retrospective approach and did not restate comparative amounts for the year prior to first adoption. As at the date of transition, management has assessed that it does not have any leases to which IFRS 16 applies. The adoption of the new IFRS pronouncement has therefore not resulted to adjustments in previously reported figures and there has been no change to the opening deficit balance as at April 1, 2019.

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5. EXPLORATION AND EVALUATION ASSETS

The Company entered into an agreement dated March 7, 2019 with Emerald Lake Development Corporation (the “Vendor”) for the right to purchase an undivided 51% interest in certain patented mining property (the “Property”), located in the Dobie Township, Northwest Ontario. The purchase price of the Property is the issuance of 1,500,000 common shares of the Company to the Vendor; the shares were issued during the year ended March 31, 2020 at a fair value of \$150,000 (Note 6b). In addition, the Company and a third-party company that holds a 15% interest in the Property shall pay the Vendor a 2.0% net smelter returns royalty upon the commencement of commercial production from the Property. The Company and the third-party company shall have the right at any time to acquire up to 1.5% of the royalty from the Vendor for the price of USD \$2,000,000 until the end of the five-year period commencing from the date that the Property is put into commercial production. This agreement constituted the Company’s Qualifying Transaction under the Capital Pool Companies policy of the TSX-V.

On May 11, 2020, the Company entered into an amendment agreement (the “Amendment Agreement”) with Emerald Lake Development Corporation (“Emerald Lake”) to the mineral property purchase agreement dated March 7, 2019, whereby Emerald Lake granted the Company the right to acquire an additional 34% interest in the Nicobat Property located in Northwest Ontario, for a total interest of 85%, in exchange for the issuance of 500,000 common shares at a price of \$0.15 per Shares (issued) of the Company (the “Shares”). The Amendment Agreement and issuance of the Shares to Emerald Lake was approved by the TSX-V on June 23, 2020.

On June 3, 2020, the Company entered into a binding Letter of Intent (“LOI”) with AJA Mining LLC and Gold Basin Mining EXP LLC (collectively, the “Optionors”) whereby the Optionors agreed to grant the Company the exclusive option (the “Option”) to acquire (the “Acquisition”) 100% interest in certain 133 mineral claims in exchange for annual lease payments of US\$25,000, issuance of 1,000,000 shares upon TSX-V approval of the transaction, and within three years make a final payment of US\$3,000,000; which can be made in cash or with separate TSX-V approval in shares.

On June 24, 2020, pursuant to the term of binding LOI with AJA Mining, LLC, the Company advanced US\$25,000 converted into Canadian \$34,593 to the Vendor towards the annual lease payment of the in 133 mineral claims in an interest-free loan.

The LOI was approved by the TSX-V on August 19, 2020 and the shares were issued on August 26, 2020.

The Company has incurred expenditures on the Property as follows:

Acquisition Costs:

Balance, March 31, 2018 and 2019	\$ -
Issuance of common shares	<u>150,000</u>
Balance, March 31, 2020	150,000
Issuance of common shares	<u>75,000</u>
Balance, June 30, 2020	<u>225,000</u>

Exploration Expenditures:

Balance, March 31, 2018	-
Geological report	<u>678</u>
Balance, March 31, 2019	678
Geological consulting and reports	<u>10,890</u>
Balance, March 31, 2020	<u>11,568</u>
Total costs, June 30, 2020	<u>\$ 236,568</u>

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6. SHARE CAPITAL

a) Authorized:

Unlimited common shares with no par value and unlimited preferred shares with no par value.

b) Issued:

The Company issued 2,200,000 common shares during the period ended March 31, 2018 at \$0.05 per share for proceeds of \$110,000. These common shares are held in escrow under an escrow agreement. The common shares will be released from escrow when the Company completes its Qualifying Transaction (completed) under the following terms:

10% to be released from the date the Transaction bulletin is issued, and 15% to be released every six months thereafter. As at March 31, 2020, there are 1,980,000 (2019: 2,200,000) shares in escrow.

During the year ended March 31, 2019, the Company issued 2,000,000 common shares at a price of \$0.10 per share for proceeds of \$200,000 by way of its Initial Public Offering (the "Offering" or "IPO") pursuant to Policy 2.4 "Capital Pool Companies" of the TSX-V. A cash commission of 10% of the gross proceeds of the Offering was paid to the Agent. The Agent was also paid an administration fee of \$15,000 and was reimbursed by the Company for its expenses and legal fees plus disbursements. The Company paid an aggregate of \$93,128 in cash commission, administration fee, legal and other expenses (all disclosed as share issue costs). The Agent was granted Agent's warrants to purchase up to 200,000 common shares at a price of \$0.10 per common share, exercisable for a period of 24 months from the date of listing of the common shares on the TSX-V. The Agent's warrants were recorded at a fair value of \$10,626.

During the year ended March 31, 2020, the Company issued 1,500,000 common shares at a price of \$0.10 per share valued at \$150,000 upon the completion of its Qualifying Transaction (Note 5). Concurrent to the completion of the Qualifying Transaction, the Company completed a non-brokered private placement of 4,527,000 units, consisting of 1,200,000 flow-through units at \$0.13 per flow-through unit and 3,327,000 non-flow through units at \$0.095 per unit.

During the three months period ended June 30, 2020, the Company entered into an amendment agreement (the "Amendment Agreement") with Emerald Lake Development Corporation ("Emerald Lake") to the mineral property purchase agreement dated March 7, 2019, whereby Emerald Lake granted the Company the right to acquire an additional 34% interest in the Nicobat Property located in Northwest Ontario, for a total interest of 85%, in exchange for the issuance of 500,000 common shares at a price of \$0.15 per Shares (issued) of the Company (the "Shares"). The Amendment Agreement and issuance of the Shares to Emerald Lake was approved by the TSX-V on June 23, 2020.

Under the flow-through units offering (each unit consisting of one flow-through share and one common share purchase warrant) the Company issued 1,200,000 flow-through units at a price of \$0.13 per unit for proceeds of \$156,000. Each warrant is exercisable to purchase an additional non-flow-through common share at \$0.26 per share for a period of two years from the date of issuance.

The Company calculates the tax effect of any premium related to the issuance of flow-through shares by reviewing the value of corresponding common shares and warrants issued in connection with the issuance. As a result, the Company recognized a premium of \$42,000 as a flow-through premium liability on the issuance of the flow-through shares.

Under the non-flow-through units offering (each unit consisting of one common share and one common share purchase warrant) the Company issued 3,327,000 non-flow through units at \$0.095 per unit for gross proceeds of \$316,065.

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(Expressed in Canadian Dollars)

(Unaudited)

6. SHARE CAPITAL (cont'd...)

b) Issued: (cont'd...)

\$10,875 was paid as shares issue cost. Each warrant is exercisable to purchase an additional non-flow-through common share at \$0.19 per share for a period of two years from the date of issuance. No value was attributed to the warrant component of the units.

c) Stock options

The Company maintains a Stock Option Plan (the "Plan") under which it is authorized to grant stock options to executive officers, directors, employees, and consultants. Under the Plan, the number of options that may be issued is limited to no more than 10% of the Company's issued and outstanding shares immediately prior to the grant.

The exercise price of each stock option shall equal the market price of the Company's shares, less any applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of five years and vest at the discretion of the Board of Directors. The Company approved the stock option plan during the year ended March 31, 2019. Upon the closing of the Offering, the Company approved the grant to directors and officers of stock options to purchase 420,000 common shares exercisable at \$0.10 per share (Note 8) expiring five years from the date of grant (until October 12, 2023).

Stock option transactions are summarized as follows:

	Number	Weighted Average Exercise Price
Outstanding, March 31, 2018	-	\$ -
Granted	<u>420,000</u>	<u>0.10</u>
Outstanding, March 31, 2020 and June 30, 2020	<u>420,000</u>	<u>\$ 0.10</u>

The following stock options were outstanding at June 30, 2020:

	Number of options outstanding	Exercise Price	Expiry Date	Remaining contractual life (years)
Options	420,000	\$ 0.10	October 12, 2023	3.29

On September 15, 2020, The Company granted incentive stock options to purchase a total of 552,700 Shares at an exercise price of \$0.20 per Share for a period of five years to certain directors, officers and consultants in accordance with the provisions of its stock option plan.

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6. SHARE CAPITAL (cont'd...)

c) Stock options (cont'd...)

The following weighted-average assumptions were used for the valuation of stock options.

	2020	2019
Weighted average fair value	-	\$0.08
Risk-free interest rate	-	2.38%
Expected life of options	-	5 years
Annualized volatility	-	100%
Dividend rate	-	0%

d) Agent's warrants:

Agents' warrants are summarized as follows:

	Number of Agents' Warrants	Weighted Average Exercise Price
Outstanding and exercisable at March 31, 2018	-	\$ -
Granted	200,000	0.10
Outstanding and exercisable at March 31 and June 30, 2020	200,000	\$ 0.10

These warrants will expire on October 12, 2020.

The fair value of the agent's warrants granted was calculated using the Black-Scholes pricing model with the following weighted-average assumptions:

	2020	2019
Weighted average fair value	-	\$0.05
Risk-free interest rate	-	2.27%
Expected life	-	2 years
Annualized volatility	-	100%
Dividend rate	-	0%

d) Private placement warrants

Private placement warrants are summarized as follows:

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6. SHARE CAPITAL (cont'd...)

d) Private placement warrants (cont'd...)

	Number of Shares	Weighted Average Exercise Price
Outstanding and exercisable at March 31, 2019	-	\$ -
Flow-through units	1,200,000	0.26
Non-flow-through units	3,327,000	0.19
Outstanding and exercisable at March 31, 2020	4,527,000	\$ 0.21
Outstanding and exercisable at June 30, 2020	4,527,000	\$ 0.21

These warrants will expire on December 6, 2021.

The following warrants were outstanding at June 30, 2020:

	Number of Shares	Exercise Price	Expiry Date
Warrants:			
Agent's warrants	200,000	\$ 0.10	October 12, 2020
Flow-through warrants	1,200,000	0.26	December 6, 2021
Non-flow through warrants	3,327,000	0.19	December 6, 2021

On September 15, 2020, 9,680 Agent's warrants were exercised at a price of \$0.10 per Share.

7. RELATED PARTY TRANSACTIONS

The aggregate amount of expenditures paid or payable to key management personnel consisting of directors, former directors or companies with common directors was as follows:

- a) The Company paid rent and office administration charges of \$4,500 (2019: \$4,725) for the three months ended June 30, 2020 to a company controlled by a director. These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. FINANCIAL INSTRUMENTS**Fair value**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

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8. FINANCIAL INSTRUMENTS (cont'd...)

Fair value (cont'd...)

- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Cash is carried at fair value using a level 1 fair value measurement. The recorded values of receivables and accounts payable and accrued liabilities approximate their fair values due to their short term to maturity.

Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company limits its exposure to credit risk by placing its cash with a major financial institution. Management feels that the Company's credit risk with respect to cash is remote.

Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risk on cash is not considered significant.

Liquidity risk

All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal year. The Company intends to settle these with funds from its positive working capital position.

Foreign currency risk

Currency risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in foreign exchange rates. As at June 30, 2020, the Company did not have any financial instruments denominated in foreign currencies and considers foreign currency risk to be insignificant.

Price risk

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

9. CAPITAL MANAGEMENT

Capital is comprised of all the components of the Company's shareholders' equity as at June 30, 2020 and March 31, 2020, the Company's shareholders' equity was \$588,697 and \$537,202 respectively and there was no long-term debt outstanding. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the

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9. CAPITAL MANAGEMENT (cont'd...)

relative size of the Company. The Company is not subject to any externally imposed capital requirements or debt covenants. There were no changes in the Company's approach to capital management during the three months ended June 30, 2020.

10. SUBSEQUENT EVENTS

On June 3, 2020, the Company entered into a binding Letter of Intent ("LOI") with AJA Mining LLC and Gold Basin Mining EXP LLC (collectively, the "Optionors") whereby the Optionors agreed to grant the Company the exclusive option (the "Option") to acquire (the "Acquisition") 100% interest in certain 133 mineral claims in exchange for annual lease payments of US\$25,000, issuance of 1,000,000 shares upon TSX-V approval of the transaction, and within three years make a final payment of US\$3,000,000; which can be made in cash or with separate TSX-V approval in shares. The LOI was approved by the TSX-V on August 19, 2020 and the shares were issued on August 26, 2020.

On September 15, 2020, 9,680 Agent's warrants were exercised at a price of \$0.10 per Share. Following the issuance of the Shares, there will be 11,736,680 issued and outstanding common shares in the capital of the Company.

On September 17, 2020, the Company granted incentive stock options to purchase a total of 552,700 Shares at an exercise price of \$0.20 per Share for a period of five years to certain directors, officers and consultants in accordance with the provisions of its stock option plan.

The Company also announced that it planned to conduct a private placement of 2,500,000 units at a price of \$0.20 per unit. Each unit will consist of one common share and one-half of one transferable share purchase warrant. Each warrant is exercisable to purchase one warrant share of the Company at \$0.30 per warrant share for a period of two years from the date of issuance of the units, provided that in the event that the closing price of the Company's Shares on the TSX Venture Exchange (or such other exchange on which the Company's Shares may become traded) is \$0.75 or greater per Share during any thirty (30) consecutive trading day period at any time subsequent to four months and one day after the closing date, the Warrants will expire at 4:00 p.m. (Vancouver time) on the 30th day after the date on which the Company provides notice of such accelerated expiry to the holders of the Warrants (the "**Accelerated Expiry Provisions**").

The Company also planned to conduct a flow-through unit financing for the issuance of 1,000,000 flow-through units at a price of \$0.30 per unit. Each unit will consist of one flow-through common share and one-half of one transferable Warrant purchase. Each whole warrant is exercisable to purchase one warrant share of the Company at \$0.40 per warrant share for a period of two years from the date of issuance of the units subject to the Accelerated Expiry Provisions.

On September 25, 2020, Company commenced trading on the OTCQB® under the symbol "USHAF".