

QURI-MAYU DEVELOPMENTS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2019

(Expressed in Canadian Dollars)

UNIT#168
4300 NORTH FRASER WAY
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Adam Kim

ADAM SUNG KIM LTD.
CHARTERED PROFESSIONAL ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

To: the Shareholders of
Quri-Mayu Developments Ltd.

Opinion

I have audited the consolidated financial statements of Quri-Mayu Developments Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at October 31, 2019 and October 31, 2018, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at October 31, 2019 and October 31, 2018, and its consolidated financial performance and its cash flow for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

I draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$759,248 during the year ended October 31, 2019 and, as of that date, the Company had not yet achieved profitable operations, had accumulated losses of \$788,560 since its inception, and expects to incur further losses in the development of its business. 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. My opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis.

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

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I 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 IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated 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

My 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 my 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 consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that I 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 my independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Adam Kim, CPA, CA.

"Adam Sung Kim Ltd."
Chartered Professional Accountant

UNIT# 168
4300 NORTH FRASER WAY
BURNABY, BC V5J 5J8
February 26, 2020

Quri-Mayu Developments Ltd.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	October 31, 2019	October 31, 2018
Assets			
Cash		\$ 27,371	\$ -
GST receivable		32,692	852
Due from related party	8	-	1,000
Prepaid expenses and deposit		33,750	-
Total Assets		\$ 93,813	\$ 1,852
Liabilities			
Accounts payable and accrued liabilities	5	\$ 389,215	\$ 23,914
Loans payable	6	180,422	-
Current and Total Liabilities		569,637	23,914
Shareholders' Deficiency			
Share capital	7	312,736	7,250
Deficit		(788,560)	(29,312)
Total Shareholders' Deficiency		(475,824)	(22,062)
Total Liabilities and Shareholders' Deficiency		\$ 93,813	\$ 1,852

Nature and continuance of operations (note 1)

Approved and authorized by the Board:

<u>"Braydon Hobbs"</u>	Director	<u>"Ronald Woo"</u>	Director
Braydon Hobbs		Ronald Woo	

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

Quri-Mayu Developments Ltd.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Note	For the year ended October 31, 2019	November 28, 2017 (inception) to October 31, 2018
Operating Expenses			
Administration		\$ 15,240	\$ -
Listing and filing fees		89,281	195
Professional fees		11,569	3,500
Management and consulting fees	8	80,278	25,617
Property evaluation	8	375,000	-
Total expenses		(571,368)	(29,312)
Other Item			
Impairment	4	(187,798)	-
Interest expense	6	(82)	-
Loss and comprehensive loss		\$ (759,248)	\$ (29,312)
Basic and diluted loss per common share		\$ (0.05)	\$ (0.25)
Weighted average and fully diluted common shares outstanding		15,089,600	119,333

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

Quri-Mayu Developments Ltd.
Consolidated Statement of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian Dollars)

		Common Shares				
	Note	Number	Share Capital	Deficit		Total
November 28, 2017 (date of inception)		-	\$ -	\$ -	\$ -	-
Incorporator shares		100	1	-		1
Cancellation of incorporator shares		(100)	(1)	-		(1)
Shares reserved for issuance under plan of arrangement	12	855,400	1,000	-		1,000
Shares issued, under debt settlement agreement	7	1,250,000	6,250	-		6,250
Loss for the period		-	-	(29,312)		(29,312)
Balance at October 31, 2018		2,105,400	\$ 7,250	\$ (29,312)	\$	(22,062)
Balance at October 31, 2018		2,105,400	7,250	(29,312)		(22,062)
Shares issued, under debt settlement agreement	7	12,325,700	216,514	-		216,514
Shares issued, acquisition of subsidiary	3,7	5,065,020	88,972	-		88,972
Loss for the year		-	-	(759,248)		(759,248)
Balance at October 31, 2019		19,496,120	\$ 312,736	\$ (788,560)	\$	(475,824)

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

Quri-Mayu Developments Ltd.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the year ended October 31, 2019	November 28, 2017 (inception) to October 31, 2018
Operating activities		
Net loss	\$ (759,248)	\$ (29,312)
Adjustments for non-cash items:		
Impairment	187,798	-
Accrued interest expense	82	-
Changes in non-cash working capital items:		
GST receivable	(24,690)	(852)
Accounts payable and accrued liabilities	524,084	30,164
Net cash flows used in operating activities	(71,974)	-
Investing activities		
Exploration expenditures	(27,295)	-
Cash assumed from acquisition of subsidiary	7,081	-
Net cash flows used in investing activities	(20,214)	-
Financing activities		
Loans advanced	119,559	-
Net cash flows provided by financing activities	119,559	-
Net change in cash	27,371	-
Cash, beginning	-	-
Cash, ending	\$ 27,371	\$ -
<u>Non cash transactions:</u>		
Common shares issued for acquisition of subsidiary	88,972	-
Common shares issued for debt settlement	216,514	6,250
Common shares issued under plan of arrangement	-	1,000

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

1. Nature and Continuance of Operations

Quri-Mayu Developments Ltd. (the “Company”) was incorporated as Quri-Mayu Ventures Ltd. as a wholly-owned subsidiary of reporting issuer EVI Global Group Developments Corp (“EGGD”) on November 28, 2017 under the laws of British Columbia, Canada. The Company changed its name to Quri-Mayu Developments Ltd. on August 13, 2018. On October 3, 2018, the Company was divested (spun-out) from EGGD, pursuant to the plan of arrangement (Note 12).

The Company’s head office is located at 1000 – 1285 West Pender Street, Vancouver, BC Canada V6E 4B1. The principal business of the Company is the identification, evaluation and acquisition of mineral properties, as well as exploration of mineral properties once acquired.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which presumes the realization of assets and settlement of liabilities in the normal course of operations in the foreseeable future. At October 31, 2019, the Company had not achieved profitable operations, had a net loss of \$759,248 for the year ended October 31, 2019 and accumulated losses of \$788,560 (October 31, 2018 - \$29,312) since inception, all of which indicate a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent upon a number of factors including obtaining additional financing as required and having profitable operations. These consolidated financial statements do not give effect to adjustments to the carrying value and classification of assets and liabilities and related expense that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption is not appropriate, material adjustments to the consolidated financial statements could be required.

These consolidated financial statements are presented in Canadian dollars unless otherwise indicated.

2. Significant accounting policies and basis of preparation

These consolidated financial statements were authorized for issue by the directors of the Company on February 26, 2020.

Statement of compliance with International Financial Reporting Standards

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of preparation

The consolidated financial statements of the Company have been prepared on a historical cost basis except for certain financial assets measured at fair value. The consolidated financial statements are presented in Canadian dollars unless otherwise specified.

2. Significant accounting policies and basis of preparation (continued)

Consolidation

The consolidated financial statements include the accounts of the Company and its controlled subsidiary. Details of controlled subsidiaries are as follows:

	Country of incorporation	Percentage owned*	
		October 31, 2020	October 31, 2019
1169783 B.C. Ltd. ("783 BC")	Canada	100%	0%

*Percentage of voting power is in proportion to ownership.

Significant accounting judgments estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported revenues and expenses during the year.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of evaluation and exploration assets and recognition of deferred tax amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

- i) **Going concern**
Management has determined that the Company will continue as a going concern for the next year.
- ii) **Impairment of financial assets**
The impairment assessment of a financial asset requires judgment. Management evaluates the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. When the fair value declines, management makes a judgment if the decline in value is an other than temporary impairment to be recognized in profit or loss.

2. Significant accounting policies and basis of preparation (continued)

Exploration and evaluation assets

Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred.

Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option.

Property option agreements are exercisable entirely at the option of the optionee. Therefore, option payments (or recoveries) are recorded when payment is made (or received) and are not accrued.

Exploration and evaluation expenditures are capitalized. The Company capitalizes costs to specific blocks of claims or areas of geological interest. Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- The period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from the successful development or by sale.

After technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the Company stops capitalizing expenditures for the applicable block of claims or geological area of interest and tests the asset for impairment. The capitalized balance, net of any impairment recognized, is then reclassified to either tangible or intangible mine development assets according to the nature of the asset.

Leases

On November 1, 2018, the Company adopted IFRS 16. IFRS 16 – Leases is a new standard which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. It introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from the lease. The adoption of IFRS 16 did not have a material impact on the consolidated financial statements as the Company has no leases.

2. Significant accounting policies and basis of preparation (continued)***Financial instruments***

On November 1, 2018, the Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9"). IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). As a result of the adoption of IFRS 9, management has changed its accounting policy for financial instruments prospectively. The change did not impact the carrying value of any financial assets or liabilities on the transition date:

The following is the Company's new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. 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 if the Company has opted to measure them at FVTPL.

The following table shows the classification under IFRS 9:

	Original Classification IAS 39	New Classification IFRS 9
Financial Assets		
Cash	FVTPL	FVTPL
Due from related party	Amortized cost	Amortized cost
Financial Liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Loans payable	Other financial liabilities	Amortized cost

2. Significant accounting policies and basis of preparation (continued)

Financial instruments (continued)

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the period in which they arise.

Debt investments at FVTOCI

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

Equity investments at FVTOCI

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.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit losses. The Company shall recognize in the consolidated statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

2. Significant accounting policies and basis of preparation (continued)

Financial instruments (continued)

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. The Company also derecognizes financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit and loss.

Cash

Cash includes cash on hand and deposits held with banks.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. The proceeds from the exercise of stock options or warrants together with amounts previously recorded in reserves over the vesting periods are recorded as share capital. Share capital issued for non-monetary consideration is recorded at an amount based on fair value on the date of issue.

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the periods presented.

2. Significant accounting policies and basis of preparation (continued)

Impairment of non-financial assets

The carrying amount of the Company's assets (which includes exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period 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 reporting date, in the countries where the Company operates and generates taxable income. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred tax is accounted for using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for temporary differences related to the initial recognition of the assets or liabilities that affect neither accounting nor taxable profit nor investments in subsidiaries, associates and interests in joint ventures to the extent it is probable that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner and expected date 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 amounts will be available against which the asset can be utilized.

2. Significant accounting policies and basis of preparation (continued)***Restoration and environmental obligations***

The Company recognizes liabilities for legal and constructive obligations associated with the retirement of mineral properties. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in 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 Company's estimates of reclamation costs could change as a result of changes in the regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The increase in the provision due to the passage of time is recognized as interest expense. The Company did not have any restoration provisions at October 31, 2019.

3. Acquisition of 783 B.C.

On February 15, 2019, the Company acquired a 100% interest in a newly formed private company, 783 B.C. through the issuance of 5,065,020 common shares with a fair value of \$88,972 to the shareholders of 783 B.C. (Note 7). The net assets acquired are as follows:

Fair value of shares issued to acquire 783 B.C.	\$	88,972
Allocated to:		
Cash		7,081
GST receivable		6,150
Prepaid		26,250
Exploration and evaluation asset (Note 4)		114,641
Accounts payable and accrued liabilities		(50,150)
Loan payable		(15,000)
	\$	88,972

4. Exploration and evaluation asset

The following is a description of the Company's exploration and evaluation asset and the related expenditures incurred for the year ended October 31, 2019:

	October 31, 2019 \$	October 31, 2018 \$
Balance, beginning	-	-
Acquisition of 783 B.C. (Note 3)	114,641	-
Exploration expenditures	73,157	-
Impairment	(187,798)	-
Balance, ending	-	-

On February 15, 2019, the Company acquired a 100% interest in 783 B.C. through the issuance of 5,065,020 common shares with a fair value of \$88,972 (Note 3).

Casa Minerals Inc. ("CMI"), had optioned a 100% interest in certain tenures situated in the Province of British Columbia (the "Keeper property"), and 783 B.C. had optioned a 60% interest in the Keeper property from CMI. Upon acquisition of 783 B.C., the Company assumed the option agreement.

The Company will be deemed to have exercised the option upon:

- I. Paying an aggregate of \$550,000 to CMI as follows:
 - \$15,000 on execution of the option agreement; (Paid)
 - \$30,000 on or before the first anniversary of the date of the option agreement;
 - \$75,000 on or before the second anniversary of the date of the option agreement;
 - \$150,000 on or before the third anniversary of the date of the option agreement; and
 - \$280,000 on or before the fourth anniversary of the date of the option agreement.
- II. Issuing an aggregate of 2,500,000 common shares to CMI as follows:
 - 400,000 shares on execution of the option agreement; (Issued February 27, 2019)
 - 600,000 shares on or before the first anniversary of the date of the option agreement;
 - 500,000 shares on or before the second anniversary of the date of the option agreement;
 - 500,000 shares on or before the third anniversary of the date of the option agreement; and
 - 500,000 shares on or before the fourth anniversary of the date of the option agreement.
- III. Incurring aggregate exploration expenditures of \$4,000,000 on the property as follows:
 - \$150,000 on or before the first anniversary of the date of the option agreement;
 - \$350,000 on or before the second anniversary of the date of the option agreement;
 - \$1,00,000 on or before the third anniversary of the date of the option agreement;
 - \$1,00,000 on or before the fourth anniversary of the date of the option agreement; and
 - \$1,500,000 on or before the fifth anniversary of the date of the option agreement.

4. Exploration and evaluation asset (continued)

The Company shall pay a 1.5% net smelter royalty to CMI upon commencement of commercial production and the Company will have the right to purchase 0.5% of the net smelter royalty on or before the sixth anniversary of the date of the option agreement upon payment of an aggregate of \$500,000 to CMI. The Company shall have the right to manage and operate its own work programs.

At October 31, 2019, the Company decided not to proceed with the option agreement on the Keeper property. The Company recorded an impairment loss of \$187,798 for the year ended October 31, 2019.

The Company will continue its efforts on finding new properties and other mineral exploration projects.

5. Accounts payables and accrued liabilities

	October 31, 2019 \$	October 31, 2018 \$
Accounts payable	161,777	11,314
Amounts due to related parties (Note 8)	212,438	12,600
Accrued liabilities	15,000	-
Accounts payable and accrued liabilities	389,215	23,914

6. Loans payable

On February 15, 2019, the Company acquired a 100% interest in 783 B.C. As a result of the transaction, the Company assumed a loan of \$15,000 payable to a related company ("Xmin") (Note 3 and 8).

During the year ended October 31, 2019, the company received two additional loans from Xmin. The first loan of \$165,422 is unsecured, non-interest bearing and has no specified terms of repayment (Note 8).

The second loan of \$25,000 was secured by a promissory note, was payable on demand and bore interest at 6% per annum. The loan principal was settled during the year. Accrued interest as at October 31, 2019 is \$82 and is included in accounts payable and accrued liabilities.

7. Share capital

Authorized share capital

Unlimited common shares without par value.

Unlimited preferred shares without par value.

Issued and outstanding

19,496,120 common shares as of October 31, 2019 (October 31, 2018 – 2,105,400).

On February 27, 2019, the Company issued 5,065,020 common shares for the acquisition of a 100% equity interest in 783 B.C. (Note 3).

On January 22, 2019, the Company entered into debt settlement and subscription agreements to settle a total of \$216,514 in debt for past services in exchange for 12,325,700 common shares of the Company. Included in the debt settlements were the following related party settlements for past services and amounts owing:

- 10,875,000 shares issued to settle \$187,500 owing to an entity controlled by an officer of 783 B.C.;
- 100,000 shares issued to settle \$2,000 owing to a company controlled by a former director;
- 500,000 shares issued to settle \$10,000 owing to a company controlled by a former director.

On October 17, 2018, the Company entered into debt settlement and subscription agreements to settle a total of \$6,250 in debt for past services in exchange for 1,250,000 common shares of the Company. As part of the debt settlement, 80,000 shares were issued to settle \$400 owing to an entity controlled by a former officer.

On October 3, 2018, the Company issued 855,400 common shares as a result of a spin-out from EGGD, pursuant to the plan of arrangement (Note 12).

As at October 31, 2019, the Company has no stock options and warrants outstanding.

8. Related party transactions

Related party balances

The following amounts due to related parties are included in trade payables and accrued liabilities (Note 5). These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

	October 31, 2019 \$	October 31, 2018 \$
Directors and officers of the Company	212,438	12,600

See also Note 6 for related party loans.

8. Related party transactions (continued)***Related party transactions***

Key management personnel include those persons having authority and responsibility for planning, directing and controlling activities of the Company as a whole. The Company has determined that its key management personnel consists of the Company's Board of Directors and corporate officers.

	October 31, 2019	October 31, 2018
	\$	\$
Management and consulting fees paid	-	12,400
Property evaluation costs	375,000	-
	375,000	12,400

On January 22, 2019, the Company entered into debt settlement and subscription agreements to settle debt for past services in exchange for common shares. Included in the debt settlements were related party settlements for past services and amounts owing (Note 7).

During the year ended October 31, 2019, a \$1,000 related party receivable was offset against amounts owing for management and consulting fees.

9. Income tax

The income taxes shown in the Statement of Loss and Comprehensive Loss differ from the amounts obtained by applying statutory rates to the loss before income taxes due to the following:

	October 31, 2019	October 31, 2018
Statutory tax rate	27.0%	27.0%
Loss before income taxes	\$ 759,248	\$ 29,312
Expected income tax (recovery)	(204,997)	(7,914)
Increase (decrease) in income tax recovery resulting from:		
Items deductible and not deductible for income tax purposes	-	-
Acquisition of a subsidiary	(33,269)	7,914
Current and prior tax attributes not recognized	238,266	-
Deferred income tax recovery	\$ -	\$ -

9. Income tax (continued)

Details of deferred tax assets are as follows:

	October 31, 2019	October 31, 2018
Non-capital and capital losses	\$ 195,476	\$ 7,914
Mineral property	50,706	-
	246,182	7,914
Less: Unrecognized deferred tax assets	(246,182)	(7,914)
	\$ -	\$ -

The Company has approximately \$724,000 of non-capital losses available, which begin to expire in 2038 through to 2039 and may be applied against future taxable income. The Company also has approximately \$188,000 of exploration and development costs which are available for deduction against future income for tax purposes. At October 31, 2019, the net amount which would give rise to a deferred income tax asset has not been recognized as it is not probable that such benefit will be utilized in the future years.

10. Capital Management

The Company defines its capital as shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration and development of mineral properties.

The Board of Directors do not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. As such, the Company will rely on the equity markets to fund its activities. In addition, the Company is dependent upon external financings to fund activities.

In order to carry out planned exploration and pay for administrative costs, the Company will need to raise additional funds. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

11. Financial instruments

The Company's financial instruments consists of cash, accounts payable and accrued liabilities and loans payable. The carrying values of cash, accounts payable and accrued liabilities and loans payable approximate their fair values because of the relatively short-term nature of the instruments. These estimates are subjective and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

There are three levels of the fair value hierarchy as follows:

- Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.
- Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

All financial instruments are classified as Level 1.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is summarized as follows:

Credit risk

The Company is not exposed to credit risk. The Company's cash is held in large Canadian financial institutions. The Company has not experienced nor is exposed to any significant credit losses.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cashflow interest rate risk. The Company does maintain bank accounts which earn interest at variable rates but it does not believe it is currently subject to any significant interest rate risk.

Foreign exchange risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

11. Financial instruments (continued)

Liquidity risk

The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and through short-term borrowing. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. Management believes that the liquidity risk is high.

As at October 31, 2019, the Company had cash of \$27,371 (October 31, 2018 - \$Nil) to settle current liabilities of \$569,636 (October 31, 2018 - \$23,914).

12. Plan of arrangement

The Company entered into a plan of arrangement on February 9, 2018, with EGGD and four other wholly-owned subsidiaries of EGGD. Pursuant to the plan of arrangement, the Company was to issue common shares to the shareholders of EGGD and EGGD would transfer \$1,000 to the Company.

On October 3, 2018, the Company issued 855,400 common shares and was divested (spun-out) from EGGD. The 100 incorporator shares were returned to treasury for cancellation with the completion of the arrangement (Note 7).

13. Segmented information

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral properties in Canada. As the operations comprise of single reporting segment, amounts disclosed also represent segment amounts.