



## **Beauce Gold Fields Inc.**

### **Unaudited Financial Statements As at January 31, 2019**

**(In Canadian dollars)**

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**Beauce Gold Fields Inc.**  
**Statements of Financial Position (unaudited)**

As at January 31, 2019 and July 31, 2018  
(in Canadian dollars)

	Note	January 31, 2019 \$	July 31, 2018 \$
<b>ASSETS</b>			
<b>Current</b>			
Cash	6	557,738	20 000
Goods and services tax receivable		1,447	-
		<u>559,185</u>	<u>20 000</u>
<b>Non-current</b>			
Exploration and evaluation assets	7	1,515,000	-
		<u>1,515,000</u>	<u>-</u>
<b>Total assets</b>		<u>2,074,185</u>	<u>20 000</u>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade and other payables	8	17,284	-
Liability related to flow-through shares		33,334	-
		<u>50,618</u>	<u>-</u>
<b>Non-current</b>			
Note payable	9	180,000	-
		<u>180,000</u>	<u>-</u>
<b>Total liabilities</b>		<u>230,618</u>	<u>-</u>
<b>EQUITY</b>			
Share capital	10	1,871,666	20 000
Contributed surplus		3,524	-
Retained deficit		(31,623)	-
<b>Total equity</b>		<u>1,843,567</u>	<u>20 000</u>
<b>Total liabilities and equity</b>		<u>2,074,185</u>	<u>20 000</u>

The accompanying notes are an integral part of the financial statements.  
These financial statements were approved and authorized for issue by the Board of Directors on March 28, 2019.

**ON BEHALF OF THE BOARD**

(s) Patrick Levasseur \_\_\_\_\_, Director

(s) Bernard J. Tourillon \_\_\_\_\_, Director

**Beauce Gold Fields Inc.**  
**Statements of Comprehensive loss (unaudited)**  
As at January 31, 2019 and 2018  
(in Canadian dollars)

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	Quarter ending January, 31		Six-month ending January, 31	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Expenses</b>				
Professional fees	10,118	-	10,118	-
Traveling expenses	3,353	-	3,353	-
Office expenses	771	-	771	-
Bank charges	902	-	902	-
<b>Operating loss</b>	<u>15,144</u>	<u>-</u>	<u>15,144</u>	<u>-</u>
<b>Other charge</b>				
Interest charge on note payable	3,995	-	3,995	-
	<u>3,995</u>	<u>-</u>	<u>3,995</u>	<u>-</u>
<b>Net loss and total comprehensive loss of the period</b>	<u>19,139</u>	<u>-</u>	<u>19,139</u>	<u>-</u>
<b>Loss per share</b>				
Basic and diluted net loss per share	<u>(0.00)</u>	<u>-</u>	<u>(0.00)</u>	<u>-</u>

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

**Beauce Gold Fields Inc.**  
**Statements of Changes in Equity (unaudited)**  
As at January 31, 2019 and 2018  
(in Canadian dollars)

	Notes	Share capital \$	Contributed surplus \$	Retained deficit \$	Total equity \$
<b>Balance at August 1<sup>er</sup>, 2017</b>		20,000	-	-	20,000
		20,000	-	-	-
Net loss and total comprehensive loss for the period		-	-	-	-
<b>Balance at January 31, 2018</b>		20,000	-	-	20,000
<b>Balance at August 1<sup>er</sup>, 2018</b>		20,000	-	-	20,000
Units issued by private placements	10.1	350,000	-	-	350,000
Units issued by flow-through private placements	10.1	166,666	-	-	166,666
Shares issued for acquisition of mining rights	10.1	1,335,000	-	-	1,335,000
Issuance cost of units		-	3,524	(12,484)	(8,960)
		1,871,666	3,524	(11,484)	1,862,706
Net loss and total comprehensive loss for the period		-	-	(19,139)	(19,139)
<b>Balance at January 31, 2019</b>		1,871,666	3,524	(31,623)	1,843,567

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

**Beauce Gold Fields Inc.**  
**Statements of Cash Flows (unaudited)**

As at January 31, 2019 and 2018  
(in Canadian dollars)

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	Notes	For the period ending January 31,	
		2019	2018
		\$	\$
<b>OPERATING ACTIVITIES</b>			
Net loss		(19,139)	-
Adjustments			
Interest charge on note payable		3,995	-
Changes in working capital items	14	11,842	-
Cash flows from operating activities		<u>(3,302)</u>	<u>-</u>
<b>FINANCING ACTIVITIES</b>			
Issuance of units by private placements and flow-through private		550,000	-
Issuance cost of units		<u>(8,960)</u>	<u>-</u>
Cash flows from financing activities		<u>541,040</u>	<u>-</u>
<b>Net change in cash</b>		537,738	-
Cash beginning of the period		<u>20,000</u>	<u>20,000</u>
Cash end of the the period		<u>557,738</u>	<u>20,000</u>

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

# **Beauce Gold Fields Inc.**

## **Notes to Financial Statements (unaudited)**

As at January 31, 2019  
(in Canadian dollars)

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### **1. NATURE OF OPERATIONS**

Beauce Gold Fields Inc. (hereinafter the "Company") specializes in the exploration of gold in mining sites located in Quebec.

### **2. GOING CONCERN AND STATEMENT OF COMPLIANCE WITH IFRS**

We prepare our annual financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting (IAS 34). These interim financial statements follow the same accounting policies and methods of application as our most recent annual financial statements. Accordingly, they should be read in conjunction with our most recent annual financial statements and the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

Given that the Company has not yet determined whether its properties contain mineral deposits that are economically recoverable, the Company has not yet generated income or cash flows from its operations. As at January 31, 2019, the Company has cumulated retained deficit of \$102,232 (nil as at July 31, 2018). The liquidities of the Company are sufficient to fund its administrative and exploration and evaluation expenses of the next year.

The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties and continued support of suppliers and creditors. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

The carrying amounts of assets, liabilities, revenues and expenses presented in the consolidated financial statements and the classification used in the statement of financial position have not been adjusted as would be required if the going concern assumption was not appropriate. Those adjustments could be material.

### **3. GENERAL INFORMATION**

The Company was incorporated under the *Canada Business Corporations Act*. on August 1<sup>st</sup>, 2016. The address of the registered office and its principal place of business is 3000 Omer-Lavallee Street, office 306, Montreal, Quebec, Canada.

### **4. SUMMARY OF ACCOUNTING POLICIES**

#### **4.1 Overall considerations**

The significant accounting policies that have been applied in the preparation of these financial statements are summarized below.

#### **4.2 Functional and presentation currency**

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

#### **4.3 Financial instruments**

##### **Recognition, initial measurement and derecognition**

Financial assets are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are measured initially at fair value plus transaction costs.

# **Beauce Gold Fields Inc.**

## **Notes to Financial Statements (unaudited)**

As at January 31, 2019 and 2018  
(in Canadian dollars)

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### **4.3 Financial instruments (continued)**

#### **Recognition, initial measurement and derecognition (continued)**

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Financial assets are measured subsequently as described below.

#### **Financial assets**

For the purpose of subsequent measurement, financial assets are classified into the categories loans and receivables upon initial recognition.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash belongs to this category of financial instruments.

##### *Impairment of financial assets*

All financial assets, except for those at fair value through profit or loss, are reviewed for impairment at least at each reporting date, to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

#### **Financial liabilities**

The Company's financial liabilities include trade and other and note payable.

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

All interest-related charges are reported in profit or loss within financial costs.

### **4.4 Basic and diluted loss per share**

Basic loss per share is calculated by dividing the loss attributable to common equity holders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting loss attributable to common equity holders of the Company, and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares which include share options, broker's warrants and warrants. Dilutive potential common shares shall be deemed to have been converted into common shares at the average market price at the beginning of the period or, if later, at the date of issue of the potential common shares.

### **4.5 Tax credits receivable**

The Company is entitled to a refundable tax credit on qualified exploration expenditures incurred and refundable credit on duties for losses under the Mining Tax Act. The tax credits are recognized as a reduction of the exploration costs incurred based on estimates made by management. The Company records these tax credits when there is reasonable assurance with regards to collections and assessments and that the Company will comply with the conditions associated to them.

# **Beauce Gold Fields Inc.**

## **Notes to Financial Statements (unaudited)**

As at January 31, 2019 and 2018  
(in Canadian dollars)

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### **4.6 Exploration and evaluation assets and exploration and evaluation expenditures**

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral deposits before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs incurred before the legal rights to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, all costs of acquiring mineral rights and expenses related to the exploration and evaluation of mining properties, less refundable tax credits related to these expenses, are recognized as exploration and evaluation assets. Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase. Exploration and evaluation assets include a land recorded as non-amortizable fixed asset and carried at cost less any accumulated impairment losses.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts (see Note 4.8), the difference is then immediately recognized in profit or loss.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment (see Note 4.10), and any impairment loss is recognized in profit or loss before reclassification.

Presently, neither the technical feasibility nor commercial viability of extracting a mineral resource has been demonstrated.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

### **Disposal of interest in connection with option agreement**

On the disposal of interest in connection with the option agreement, the Company does not recognize expenses related to the exploration and evaluation performed on the property by the acquirer. In addition, the cash or the shares consideration received directly from the acquirer are credited against the costs previously capitalized to the property, and the surplus is recognized as a gain on the disposal of exploration and evaluation assets in profit or loss.

### **4.7 Property and equipment**

Property and equipment are held at cost less accumulated amortization and accumulated impairment losses.

Cost includes all costs incurred initially to acquire or construct an item of property and equipment, costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and costs incurred subsequently to add to or replace part thereof. Recognition of costs in the carrying amount of an item of property and equipment ceases when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management.

# **Beauce Gold Fields Inc.**

## **Notes to Financial Statements (unaudited)**

As at January 31, 2019 and 2018  
(in Canadian dollars)

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### **4.7 Property and equipment (continued)**

Upon the transfer of exploration and evaluation assets to property and equipment under Mining assets under construction, all subsequent expenditures on the construction, installation or completion of equipment and infrastructure facilities are capitalized within Mining assets under construction. When development stage is completed, all assets included in the mining assets under construction category are then transferred to Mining assets.

### **4.8 Impairment of exploration and evaluation assets, property and equipment and intangible assets**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment. Intangible assets that are not yet ready for use must be tested for impairment annually.

Impairment reviews for exploration and evaluation assets are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise, but typically when one of the following circumstances apply:

- The right to explore the areas has expired or will expire in the near future with no expectation of renewal;
- No further exploration or evaluation expenditures in the area are planned or budgeted;
- No commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area;
- Sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use.

An impairment charge is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

### **4.9 Provisions and contingent liabilities**

Provisions are recognized when present legal or constructive obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

# **Beauce Gold Fields Inc.**

## **Notes to Financial Statements (unaudited)**

As at January 31, 2019 and 2018  
(in Canadian dollars)

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### **4.9 Provisions and contingent liabilities (continued)**

Provisions are discounted when the time value of money is significant. The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Company's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. No provision was recognized in the statements of financial position at January 31, 2019 and July 31, 2018.

### **4.10 Income taxes**

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period. Deferred income taxes are calculated using the liability method.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax liabilities are generally recognised in full, although IAS 12 "Income Taxes" specifies limited exemptions. As a result of these exemptions the Company does not recognise deferred tax on temporary differences relating to goodwill.

### **Tax related to flow-through placements**

According to the provisions of tax legislation relating to flow-through placements, the Company has to transfer its right to tax deductions for expenses related to exploration activities to the benefit of the investors. When the Company has fulfilled its obligation to transfer its right, which happens when the Company has incurred eligible expenditures and has renounced or has the intention to renounce to its right to tax deductions, a deferred tax liability is recognized for the taxable temporary difference that arises from difference between the carrying amount of eligible expenditures capitalized in the statement of financial position and its tax basis.

### **4.11 Equity**

Share capital represents the amount received on the issue of shares. If shares are issued when share options, broker's warrants or warrants are exercised, the Share capital account also comprises the compensation costs or the value of the stock options, warrants or broker's warrants previously recorded as Contributed surplus. In addition, if the shares are issued as consideration for the acquisition of a mineral property and other non-monetary assets, the shares were measured at fair value according to the quoted price on the day of the conclusion of the agreement.

# **Beauce Gold Fields Inc.**

## **Notes to Financial Statements (unaudited)**

As at January 31, 2019 and 2018  
(in Canadian dollars)

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### **4.11 Equity (continued)**

#### **Unit placements**

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to the shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

#### **Flow-through placements**

Issuance of flow-through units represents in substance an issue of common shares, warrants and the sale of the right to tax deductions to the investors. When the flow-through units are issued, the sale of the right to tax deductions is deferred and presented as liability related to flow-through shares in the statement of financial position. The proceeds received from flow-through units are allocated between share capital, warrants and the liability related to flow-through shares using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance, then to warrants according to the fair value at the date of issuance and the residual proceeds are allocated to the liability related to flow-through shares. The fair value of the warrants is determined using the Black-Scholes valuation model. The liability related to flow-through shares recorded initially on the issuance of units is reversed on renouncement of the right to tax deductions to the investors and when eligible expenses are incurred and recognized in profit or loss in reduction of deferred income tax expense.

#### **Other elements of equity**

Contributed surplus includes charges related to share options, warrants and broker's warrants until such options and warrants are exercised. When they are cancelled or expired, the related compensation cost is transferred in decrease of retained deficit. When options and warrants are exercised, the related compensation cost is transferred to share capital.

Retained deficit includes all current and prior period retained profits or losses, plus issuance costs, net of any underlying income tax benefit from these issuance costs and compensation related to options and warrants cancelled or expired, transferred from Contributed surplus.

### **4.12 Equity-settled share-based payments**

The Company operates equity-settled share-based payment plan for its eligible directors, officers, employees and consultants. The Company's plan does not feature any option for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and others providing similar services, the Company measured the fair value of the services rendered by reference to the fair value of the equity instruments granted.

All equity-settled share-based payments (except broker's warrants) are ultimately recognized as an expense in profit or loss or capitalized as exploration and evaluation assets, depending on the nature of the payment with a corresponding credit to Contributed surplus, in equity. Equity-settled share based payments to brokers, in respect of an equity financing are recognized as issuance cost of the equity instruments with a corresponding credit to contributed surplus, in equity.

# **Beauce Gold Fields Inc.**

## **Notes to Financial Statements (unaudited)**

As at January 31, 2019 and 2018  
(in Canadian dollars)

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### **4.12 Equity-settled share-based payments (continued)**

The expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment was made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

### **4.13 Segmental reporting**

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision-maker, i.e. the management and the Board of Directors. The Company has determined that there was only one operating segment being the sector of exploration and evaluation of mineral resources.

### **4.14 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company**

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements

### **IFRS 9, *Financial Instruments***

In July 2014, the IASB published IFRS 9 which replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces improvements which include a logical model for classification and measurement of financial assets, a single, forward-looking "expected credit loss" impairment model and a substantially-reformed approach to hedge accounting. This new standard is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

## **5. JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

When preparing the consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

### **5.1 Significant management judgments**

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the financial statement.

#### **Recognition of deferred income tax assets and measurement on income tax expense**

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period (see Note 4.10).

# **Beauce Gold Fields Inc.**

## **Notes to Financial Statements (unaudited)**

As at January 31, 2019 and 2018  
(in Canadian dollars)

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### **Going concern**

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. See Note 2 for more information.

### **5.2 Estimation uncertainty**

Information about estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below. Actual results may be substantially different.

#### **Impairment of exploration and evaluation assets**

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and assumptions in any cases (see Note 4.8).

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset or the cash-generating units must be estimated.

In assessing impairment, the Company must make some estimates and assumptions regarding future circumstances, in particular, whether an economically viable extraction operation can be established, the probability that the expenses will be recovered from either future exploitation or sale when the activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Company's capacity to obtain financial resources necessary to complete the evaluation and development and to renew permits. Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

See Notes 6 for the exploration and evaluation assets impairment analysis.

During the period, the Company recognized to profit or loss a write-off of exploration and evaluation assets of \$nil (\$nil for the year ended July 31, 2018). No reversal of impairment losses has been recognized for the reporting periods.

The remaining properties have not been tested for impairment as the Company has the ability to retain properties as it has sufficient financial resources to meet its short-term obligations and expenditures are programmed over future exercises. The rights to prospect for these properties will not expire in the near future and work has been carried out on these properties over the past three years.

#### **Impairment of property, plant and equipment**

An assessment of the facts and circumstances demonstrating the existence of any indication that an asset may have depreciated or recovered is a subjective process that involves judgment and often a number of estimates and assumptions.

In assessing impairment, management estimates the recoverable amount of each cash-generating asset or unit based on future cash flows and uses an interest rate to discount them. The uncertainty in the estimates is related to assumptions about future operating results and the determination of an appropriate discount rate. As at January 31, 2019, \$nil (nil for the year ended July 31, 2018) was recorded on the property and equipment and no impairment.

# **Beauce Gold Fields Inc.**

## **Notes to Financial Statements (unaudited)**

As at January 31, 2019 and 2018  
(in Canadian dollars)

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### **5.2 Estimation uncertainty (continued)**

#### **Share-based payments**

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of share options, broker's warrants and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model (see Notes 10.2, 10.3 and 11.1).

#### **Provisions and contingent liabilities**

Judgments are made as to whether a past event has led to a liability that should be recognized in the financial statements or disclosed as a contingent liability. Quantifying any such liability and provisions involves judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received, previous experience and the probability of a loss being realized. Several of these factors are source of estimation uncertainty.

#### **Tax credits receivable**

The calculation of the Company's refundable tax credit on qualified exploration expenditure incurred and refundable tax credit involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until a notice of assessment has been issued by the relevant taxation authority and payment has been received. Difference arising between the actual results following final resolution of some of these items and the assumptions made could necessitate adjustments to the refundable tax credit and refundable tax credit, exploration and evaluation assets, and income tax expense in future periods. See Note 4.5 for more information.

### **6. Cash**

The balance on flow-through financing not spent according to the restriction imposed by these financing arrangements represents \$198,334. According to tax law, the Company has the obligation to dedicate these funds to Canadian mining properties exploration.

**Beauce Gold Fields Inc.**  
**Notes to Financial Statements (unaudited)**  
As at January 31, 2019 and 2018  
(in Canadian dollars)

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**7. EXPLORATION AND EVALUATION ASSETS**

	Balance at August 1st, 2018	Additions	Tax credits	Balance at January 31, 2019
	\$	\$	\$	\$
<b>Québec</b>				
<i>Saint-Simon-Les-Mines</i>				
<i>Property</i>				
Mining rights	-	1,320,000	-	1,320,000
Exploration and evaluation expenses	-	-	-	-
Land	-	180,000	-	180,000
	<u>-</u>	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>
<i>Wares Property</i>				
Mining rights	-	5,000	-	5,000
Exploration and evaluation expenses	-	-	-	-
	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
<i>Roncevaux-HPQ Property</i>				
Mining rights	-	10,000	-	10,000
Exploration and evaluation expenses	-	-	-	-
	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
<i>Summary</i>				
Mining rights	-	1,335,000	-	1,335,000
Exploration and evaluation expenses	-	-	-	-
Land	-	180,000	-	180,000
	<u>-</u>	<u>1,515,000</u>	<u>-</u>	<u>1,515,000</u>

# Beauce Gold Fields Inc.

## Notes to Financial Statements (unaudited)

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### 7. EXPLORATION AND EVALUATION ASSETS (continued)

#### Québec

##### *Saint-Simon-Les-Mines Property*

During 2018, the company completed the agreement intervened with its parent company HPQ-Silicon Resources Inc. ("HPQ") for the acquisition of 152 claims located in the municipality of Saint-Simon-les-Mines in the Beauce region in Quebec, including 7 real estate lots for the price of \$ 1,500,000. The Company paid the price by assuming the mortgage of \$ 180,000 affecting these 7 real estate lot and the issuance of 13,320,000 common shares of its share capital for a total value of \$ 1,320,000.

In addition, the company will assume the payment to a third party of a royalty of 1.5% of which, at the option of the company, 1% may be redeemed for an amount of \$ 1,000,000.

In addition, the company will pay to HPQ as NSR an amount of \$ 35,000 between the fifteenth and the twenty-fourth month after the closing date and \$ 25,000 each year thereafter. This NSR can be redeemed at the Company's option for \$ 250,000.

##### *Wares Property*

During December 2018, the Company completed the agreement intervened with its parent company HPQ-Silicon Resources Inc. ("HPQ") for the acquisition of 42 claims. In payment for the price thereof, the Company issued 50,000 common shares for a total value of \$ 5,000.

##### *Roncevaux-HPQ Property*

During December 2018, the company completed the agreement with HPQ-Silicon Resources Inc. ("HPQ") whereby HPQ granted the company the right to search and extract from its Roncevaux property base metals and other minerals other than quartz in consideration of a fee of 5% (NSR) and the issuance by the company of 100,000 common shares of its share capital at a price of \$ 0.10 each for a consideration of \$ 5,000. This NSR can be redeemed in part by the company by paying HPQ \$ 100,000 for 0.1%, up to a limit of 4%.

### 8. TRADE AND OTHER PAYABLES

	January 31, 2019	July 31 2018
	\$	\$
Trade accounts	11,690	-
Other	5,594	-
	<u>17,284</u>	<u>-</u>

### 9. NOTE PAYABLE

During December 2018, the Company signed an estate mortgage affecting the 7 real estate lots in order to secure a loan for a sum of \$180,000, bearing interest at compound rate of 18 % annually until July 31, 2020.

# Beauce Gold Fields Inc.

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### 10. EQUITY

#### 10.1 Share capital

The share capital of the Company consists only of an unlimited number of common shares without par value. All shares are participating and are equally eligible to receive dividends and the repayment of capital, and represent one vote each at the shareholder's meeting of the Company.

	January 31, 2019	July 31, 2018
	Number of shares	Number of shares
Shares issued at the beginning	200,000	200,000
Private placements (a)	3,500,000	-
Flow-through private placements (b)	1,666,666	-
Acquisition of mining rights (c) (d) (e)	13,350,000	-
Total shares issued and fully paid	18,716,666	200,000

- (a) On December 11, 2018, the Company completed a private financing for a total amount of \$350,000. The Company issued 3,500,000 units consisting of one common share and one warrant. Each warrant entitles the holder thereof to subscribe to one common share of the Company at a price of \$0.15 per share, during a period of 24 months following the closing of the financing. No amount related to warrants was recorded.

In addition, the Company recorded an amount of \$8,000 commission fees as units issue costs. The Company issued to the Broker's 80,000 warrants (for a value of \$3,373). Each warrant entitles the holder thereof to subscribe to one common share of the Company at a price of \$0.15 per share for a period of 24 months from the date of closing of the financing.

- (b) On December 11, 2018, the Company completed a private financing for a total amount of \$200,000. The Company issued 1,666,66 units consists of one flow-through share and one-half warrant. Each full warrant entitles the holder thereof to subscribe for an equivalent number of common shares of the Company at a price of \$0.18 per share, during a period of 24 months following the closing of the financing. An amount of \$33,334 related to liability component was recorded in the statement of financial position.

In addition, the Company recorded an amount of \$960 commission fees as units issue costs. The Company issued to the Broker's 4,000 warrants (for a value of \$151). Each warrant entitles the holder thereof to subscribe to one common share of the Company at a price of \$0.18 per share for a period of 24 months from the date of closing of the financing.

- (c) During December 2018, the Company issued 13,200,000 common shares (for a total amount \$1,320,000) in payment of the 152 claims in Saint-Simon des Mines.
- (d) During December 2018, the Company issued 50,000 common shares (for a total amount of \$5,000) in payment of the 42 claims (the Wares Property).
- (e) During December 2018, the Company issued 100,000 common shares (for a total value of \$ 10,000) for the right to prospect on the Roncevaux property.

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**10.2 Warrants**

Outstanding warrants entitle their holders to subscribe to an equivalent number of common shares, as follows:

	<u>January 31, 2019</u>	
	Number of warrants	Weighted average exercise price
		\$
Balance, beginning of reporting year	-	-
Granted	4,333,333	0.15
Balance, end of reporting period	<u>4,333,333</u>	<u>0.15</u>

Outlined below are the outstanding warrants which could be exercised for an equivalent number of common shares:

	<u>January 31, 2019</u>	
Expiration date	Number	Exercise price
		\$
December, 2020	3,500,000	0.15
December, 2020	833,333	0.18
	<u>4,333,333</u>	<u>0.15</u>

**10.3 Broker's warrants**

Outstanding the broker's warrants entitle their holder to subscribe to an equivalent number of common shares, as follows:

	<u>January 31, 2019</u>	
	Options number	Weighted average exercise prices
		\$
Balance, beginning of reporting year	-	-
Granted	84,000	0.15
Balance, end of reporting year	<u>84,000</u>	<u>0.15</u>

For this period, the Company recorded an amount of \$3,524 as shareholders' equity instruments when the broker's warrants were issued and was recorded as an increase to contributed surplus and a decrease to retained deficit.

# Beauce Gold Fields Inc.

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### 10.3 Broker's warrants (continued)

The weighted average fair value \$0.042 of the broker's warrants granted was estimated on the grant date using the Black-Scholes option pricing model, based on the following weighted average assumptions:

	2019
Average share price at date of grant	\$0.10
Expected Dividends yield	0 %
Expected weighted volatility	98 %
Average risk-free interest rate	1.92 %
Expected average life	2.00 years
Average exercise price at date of grant	\$0.15

The underlying expected volatility was determined by reference to historical data on the shares of similar companies in the industry shares over the expected average life of the broker's warrants.

Expiration date	January 31, 2019	
	Number	Exercise price \$
December, 2020	84,000	0.15
	<u>84,000</u>	<u>0.15</u>

## 11 EMPLOYEE REMUNERATION

### 11.1 Share-based payments

During December 2018, the Company finalized its share-based payment plan under which the Board of Directors may award to directors, officers, employees and consultants, share options entitling its holder to purchase common shares of the Company. The maximum number of shares issuable under the plan is 1,900,000 common shares.

The exercise price of each share option is determined by the Board of Directors and cannot be less than the discount market price of common shares as defined by TSX Venture Exchange policies and the term of the options cannot exceed ten years.

The maximum number of common shares that can be issued to a beneficiary, during any 12-month period is limited to 5% of issued and outstanding shares.

The maximum numbers of shares that can be issued to a consultant during any 12-month period is limited to 2% of issued and outstanding shares; moreover, the share options granted to consultants performing investor relations activities shall be exercised by stages over a 12-month period after the grant, at a rate of 25% per quarter.

All share-based payments will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the share options in cash.

**Beauce Gold Fields Inc.**  
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**12. FAIR VALUE MEASUREMENT**

**12.1 Financial instruments measured at fair value**

Financial assets and liabilities measured at fair value in the statement of financial position are presented in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs for the assets or liabilities that are not based on observable market data.

**12.2 Financial instruments measured at amortized cost for which a fair value is disclosed**

The carrying value of cash, and current note payable is considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments.

The fair value non-current notes payable was estimated using an analysis of cash flows discounted using an interest rate for similar financial instruments. Financial instruments are classified in level 2 of the fair value hierarchy of evaluations.

**13. LOSS PER SHARE**

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of shares in circulation during the period. In calculating the diluted loss per share, dilutive potential common shares such as warrants, broker's warrants and share options have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive. Details of share options and warrants issued that could potentially dilute earnings per share in the future are given in Notes 10.2, 10.3 and 11.1.

Both the basic and diluted loss per share have been calculated using the loss as the numerator, i.e. no adjustment to the loss were necessary in 2019 and 2018.

	Quarter ending January, 31		Period ending January, 31	
	2019	2018	2019	2018
Net loss attributable to common shareholders	(19,139)	-	(19,139)	-
Weighted average number of outstanding shares	9,795,289	200,000	2,618,539	200,000
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)

**Beauce Gold Fields Inc.**  
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**14. ADDITIONAL INFORMATION – CASH FLOWS**

The changes in working capital items are detailed as follows:

	As at January 31,	
	2019	2018
	\$	\$
Goods and services tax receivable	(1,447)	-
Trade and other payables	13,289	-
	<u>11,842</u>	<u>-</u>

Non-cash balance sheet transactions are detailed as follows:

	2019	2018
	\$	\$
Issuance of shares for acquisition for exploration and evaluation assets	1,335,000	-

**15. RELATED PARTY TRANSACTIONS**

The Company's related parties include key management and a company held by a director or an officer, as described below.

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

**15.1 Transactions with key management personnel**

Key management personnel of the Company are members of the Board of Directors and officers.

Trade and other payables include an amount of \$4,426 due to directors.

**16. CAPITAL MANAGEMENT POLICIES AND PROCEDURES**

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern, to increase the value of the assets of the business, and to provide an adequate return to owners of the Company.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flows, either with partners or by the Company's own means.

The Company monitors capital on the basis of the carrying amount of equity.

The Company is not exposed to any externally imposed capital requirements except when the Company issues a flow-through placement for which an amount should be used for exploration work.

The Company finances its exploration and evaluation activities mainly by seeking additional capital either through private placements or public placements. When funding conditions are not optimal, the Company can sign option agreements or other agreements to be able to continue its exploration and evaluation activities or can slow down its activities until conditions funding improves.

# **Beauce Gold Fields Inc.**

## **Notes to Financial Statements (unaudited)**

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### **17. FINANCIAL INSTRUMENT RISKS**

The Company is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Company risk management is coordinated in close cooperation with the Board of Directors. The Company's risk management focuses on actively securing the Company short-term to medium-term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes.

The most significant financial risks to which the Company is exposed are described below.

#### **17.1 Credit risk**

Credit risk is the risk that another party to a financial instrument fails to its obligations and, therefore, leads the Company to incur a financial loss.

The Company's maximum exposure to credit risk is limited to the carrying amount of cash for an amount of \$557,738 as at January 31, 2019 (\$20,000 as at July 31, 2018).

The Company's management considers that all the above financial assets, for each of the reporting dates under review are of good credit quality.

The credit risk for cash is considered negligible, since the counterparty is a reputable bank with high quality external credit ratings.

#### **17.2 Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations with financial liabilities that are settled by cash or another financial asset.

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount.

Over the period, the Company has financed its exploration programs, its working capital requirements through private placements.

The Company expects to respect its obligations with its cash flows related to placements.

Trade and other payables for an amount of \$17,284 have contractual maturities of less than twelve months.

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash.

### **18. CONTINGENCIES AND COMMITMENTS**

The Company is partially financed through the issuance of flow-through units and, according to tax rules regarding this type of financing, the Company is engaged in realizing mining exploration work.

These tax rules also set deadlines for carrying out the exploration work, which must be performed no later than the first of the following dates:

- Two years following the flow-through financings;
- One year after the Company has renounced the tax deductions relating to the exploration work.

**Beauce Gold Fields Inc.**  
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**18. CONTINGENCIES AND COMMITMENTS (continued)**

However, there is no guarantee that the Company's exploration expenses will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

The Company entered into agreements with subscribers whereby the Company has to incur \$198,334 of Canadian Exploration Expenses ("CEE") before December 31, 2019.

During 2018, the company completed the agreement intervened with its parent company HPQ-Silicon on Property Saint-Simon-les-Mines, the Corporation must pay to a third party a 3.5% royalty on commercial metal production as well as a sum of \$500,000 upon start of production. In addition, the company will assume the payment to a third party of a royalty of 1.5% of which, at the option of the company, 1% may be redeemed for an amount of \$ 1,000,000. In addition, the company will pay to HPQ as NSR an amount of \$ 35,000 between the fifteenth and the twenty-fourth month after the closing date and \$ 25,000 each year thereafter. This NSR can be redeemed at the Company's option for \$ 250,000.

The Company signed an estate mortgage affecting the 7 real estate lots in order to secure a loan for a sum of \$180,000, bearing interest at compound rate of 18 % annually until July 31, 2020.

**19. POST-REPORTING**

Pursuant to the plan of arrangement and arrangement agreement between HPQ-Silicon Resources Inc. and the Company, the Company, as of February 6, 2019, has issued 3,612,049 warrants. Each warrant will entitle its holder to purchase one common share of the Company at a price ranging from \$0.25 to \$0.62. The Company recorded an amount of \$70,609 as shareholders' equity instruments when the warrants were issued and was recorded as an increase to contributed surplus and a decrease to retained deficit.