

HANSCO CAPITAL CORP.
(A Capital Pool Company)

CONDENSED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2021

(Expressed in Canadian Dollars)

(UNAUDITED)

HANSCO CAPITAL CORP.

Notice to Reader:

These condensed interim financial statements of Hansco Capital Corp. (the “Company”) have been prepared by management and reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors of the Company. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed these condensed interim financial statements, notes to financial statements and the related quarterly Management Discussion and Analysis.

HANSCO CAPITAL CORP.**(A Capital Pool Company)****INTERIM UNAUDITED STATEMENTS OF FINANCIAL POSITION**

As at March 31, 2021 and September 30, 2020

(Expressed in Canadian dollars)

	March 31 2021	September 30 2020
ASSETS		
Current assets		
Cash	\$ 331,231	\$ 354,505
Prepaid expenses	3,717	3,717
Total Assets	\$ 334,948	\$ 358,222
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accrued liabilities	-	4,400
Total liabilities	-	4,400
Shareholders' equity		
Share capital (Note 3)	349,272	349,272
Stock option reserves (Note 3)	41,540	41,540
Deficit	(55,864)	(36,990)
Total shareholders' equity	334,948	353,822
Total Liabilities and Shareholders' Equity	\$ 334,948	\$ 358,222

Nature of operations (Note 1)

Basis of presentation (Note 2)

Event subsequent to the end of the period (Note 8)

On behalf of the Board:

“Robert J Quinn”
Director

“Bob Hans”
Director

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

HANSCO CAPITAL CORP.**(A Capital Pool Company)****INTERIM UNAUDITED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the three and six months ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

	Three Months Ended		Six Months Ended	
	March 31	March 31	March 31	March 31
	2021	2020	2021	2020
EXPENSES				
Bank charges	\$ 222	\$ 18	\$ 469	\$ 61
Office supplies and services	249	446	581	446
Listing and filing fees	5,845	65	7,750	65
Professional fees	-	210	850	410
Stock based compensation (Note 3)	-	-	-	25,700
Transfer Agent	1,670	-	9,224	-
Net loss for the period	\$ 7,986	\$ 739	\$ 18,874	\$ 26,682
Loss per share, Basic and Diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of shares outstand	6,000,000	6,000,000	6,000,000	6,000,000

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

HANSCO CAPITAL CORP.**(A Capital Pool Company)****INTERIM UNAUDITED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

For the six months ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

	Share Capital		Stock Options Reserve	Deficit	Total
	Number of Shares	Amount			
Balance, September 30, 2019	3,000,000	\$ 150,000	\$ -	\$ (4,202)	\$ 145,798
Common shares issued	3,000,000	300,000	-	-	300,000
Share issued costs	-	(100,728)	15,840	-	(84,888)
Stock based compensation (Note 3)	-	-	25,700	-	25,700
Loss for the period	-	-	-	(26,682)	(26,682)
Balance, March 31, 2020	6,000,000	\$ 349,272	\$ 41,540	\$ (30,884)	\$ 359,928
Loss for the period	-	-	-	(6,106)	(6,106)
Balance, September 30, 2020	6,000,000	\$ 349,272	\$ 41,540	\$ (36,990)	\$ 353,822
Loss for the period	-	-	-	(18,874)	(18,874)
Balance, March 31, 2021	6,000,000	\$ 349,272	\$ 41,540	\$ (55,864)	\$ 334,948

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

HANSCO CAPITAL CORP.
(A Capital Pool Company)
INTERIM UNAUDITED STATEMENTS OF CASH FLOWS
For the six months ended March 31, 2021 and 2020
(Expressed in Canadian dollars)

	March 31	March 31
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (18,874)	\$ (25,943)
Adjustment for non-cash item:		
Stock-based compensation (Note 3)	-	25,700
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	<u>(4,400)</u>	<u>(4,000)</u>
Net cash used in operating activities	<u>(23,274)</u>	<u>(4,243)</u>
Change in cash during the period	(23,274)	(4,243)
Cash, beginning of period	<u>354,505</u>	<u>98,548</u>
Cash, end of period	\$ <u>331,231</u>	\$ <u>94,305</u>
Supplemental Cash Flow Information		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

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HANSCO CAPITAL CORP.

(A Capital Pool Company)

NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS

For the six months ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Hansco Capital Corp. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on August 22, 2019.

The principal business of the Company is the identification and evaluation of assets or businesses with a view to completing a qualifying transaction under the auspices of the Capital Pool Company policies of the TSX Venture Exchange. The head office and principal business address of the Company is Suite 600 – 890 West Pender St., Vancouver, BC, V6C 1K4.

Going Concern

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. As at March 31, 2021, the Company has not generated any revenues from operations and has an accumulated deficit of \$55,863. The Company expects to incur further losses in the development of its business, all of which casts significant doubt about the Company’s ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments to the carrying values of assets and liabilities, the reported expenses, and the balance sheet classifications used that may be necessary if the Company is unable to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of Compliance

These condensed financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed financial statements should be read in conjunction with the Company’s audited financial statements for the period ended March 31, 2021, which have been prepared in accordance with IFRS issued by the IASB.

These financial statements were authorized for issue by the Audit Committee and Board of Directors on May 27, 2021.

Basis of Measurement

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

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NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS

For the six months ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

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

Judgments and estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates where management's judgment is applied include asset valuation, asset retirement obligations, income taxes, share-based payments and ability to continue as a going concern. Actual results may differ from those estimates and judgements.

3. SHAREHOLDERS' EQUITY

Authorized share capital

Unlimited common shares, without par value.

Share issuances

On August 22, 2019, the Company issued 3,000,000 common shares at \$0.05 to the founding directors and officers of the Company for proceeds of \$150,000.

On March 12, 2020, the Company completed its initial public offering by issuing an aggregate of 3,000,000 common shares at a price of \$0.10 per share for gross proceeds of \$300,000. The Company paid a commission of 10% of the gross proceeds of the offering and a corporate finance fee of \$10,000 to the agent in the transaction. The Company reimbursed the agent for its expenses in connection with the offering and issued 300,000 agent's options, with each option exercisable for a share of the Company at a price of \$0.10 per share until March 12, 2022.

Escrow Shares

As at March 31, 2021, a total of 3,000,000 common shares were subject to a CPC Escrow Agreement. Under the CPC Escrow Agreement, 10% of the escrowed common shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release") and an additional 15% will be released on the dates 6, 12, 18, 24, 30 and 36 months following the Initial Release. All common shares acquired on the exercise of stock options granted to directors, officers and non-employees prior to the completion of a qualifying transaction must also be deposited in escrow until the Final Exchange Bulletin is issued. In addition, all common shares of the Company acquired in the secondary market prior to the completion of a qualifying transaction by any person or company who becomes a control person are required to be deposited in escrow. Subject to certain exemptions permitted by the Exchange, all securities of the Company held by principals of the resulting issuer will also be escrowed.

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Stock Options

Incentive Stock Options

On October 7, 2019, the Company adopted an incentive stock option plan (the “Option Plan”) which allows the Company’s Board of Directors, at its discretion and in accordance with TSX Venture Exchange requirements, to grant non-transferable options to purchase common shares to its directors, officers, employees and technical consultants to the Company. The number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercised for a period of up to ten years from the date of grant and vesting terms will be determined at the time of grant by the Board of Directors.

On October 7, 2019, the Company granted 600,000 stock options to directors and officers of the Company with an exercise price of \$0.10 per share expiring ten years from the date of listing of the Company’s shares on the TSX Venture Exchange. The fair value of the stock options was calculated to be \$25,700 using the Black-Scholes Option Pricing Model with the following assumptions: expected life of the option of 10 years, expected volatility of 100%, expected dividend yield of 0% and risk-free interest rate of 1.31%.

As at March 31, 2021, 600,000 stock options were outstanding and exercisable.

Agent’s Options

On March 12, 2020, the Company issued 300,000 options to the Company’s agent as part of the agent’s compensation with respect to the sale of the Company’s initial public offering. The agent’s options are exercisable at a price of \$0.10 per share for two years and have an expiry date of March 12, 2022. Not more than 50% of the aggregate number of common shares which can be acquired by the agent on the exercise of the agent’s options may be sold by the agent prior to the completion of the Company’s qualifying transaction. The remaining 50% may be sold after the completion of the qualifying transaction.

The agent’s options had a fair value of \$15,840 calculated using the Black-Scholes Option Pricing Model with the following assumptions: expected life of the option of 2 years, expected volatility of 100%, expected dividend yield of 0% and risk-free interest rate of 0.49%.

4. RELATED PARTY TRANSACTIONS

In the three months ended March 31, 2021 and 2020, there were no fees or payments incurred or paid to any of the directors or officers of the Company.

In the period ended September 30, 2019, the directors and officers of the Company subscribed for 3,000,000 common shares of the Company at a price of \$0.05 per share.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at March 31, 2021, the Company’s financial instruments are comprised of cash. The fair values of these financial instruments approximate their carrying values due to their short-term maturity. Fair values of

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financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

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

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Inputs that are not based on observable market data (unobservable inputs).

As at March 31, 2021, the fair value of cash held by the Company was based on level 1 of the fair value hierarchy.

The Company's risk exposure and the impact on the Company's financial instruments is summarized below:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash that is invested in asset backed commercial paper.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

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. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. This risk is considered to be minimal.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as they are denominated in currencies that differ from the respective functional currency. The Company's functional currency is the Canadian dollar. There are no current assets held in other currencies and therefore the foreign exchange risk is assessed as low.

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6. CAPITAL MANAGEMENT

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at March 31, 2021, the Company's shareholders' equity was \$334,948. The Company's objectives when managing capital are to maintain financial viability and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The Company's current capital was received from the issuance of common shares. The net proceeds raised to date will only be sufficient to identify and evaluate a limited number of assets and businesses. Additional funds may be required to finance the Company's future business opportunities.

The gross proceeds realized from the sale of the securities issued by the Company may only be used to identify and evaluate assets or businesses and obtain shareholder approval for the Qualifying Transaction ("QT"). Until the completion of the QT, no payment of any kind may be made, directly or indirectly, by the Company to a non-arm's length party to the Company or a non-arm's length party to the QT, or to any person engaged in investor relations activities in respect of the Company or the securities of the Company, except to reimburse reasonable expenses for office supplies, office rent, utilities, equipment leases, legal services and out-of-pocket expenses incurred in pursuing the identification and evaluation of assets or businesses with a view to competing a QT.

The Company is not subject to any externally imposed capital requirements, except as noted above. There were no changes to the Company's approach to capital management during the six months ended March 31, 2021.

7. SEGMENTED INFORMATION

The Company operates in one reportable segment, being the identification and evaluation of assets or businesses with a view to completing a qualifying transaction under the auspices of the Capital Pool Company policies of the TSX Venture Exchange. As the operations comprise a single reporting segment, amounts disclosed also represent segment amounts.

8. EVENT SUBSEQUENT TO THE END OF THE PERIOD

Qualifying Transaction

On May 7, 2021, the Company announced a non-binding letter of intent (the "LOI") with Aurex Energy Corp. ("Aurex", an Alberta corporation) respecting a proposed transaction (the "Transaction") pursuant to which the Company will acquire 100% of the issued and outstanding common shares of Desert Strike Resources (US) Inc. ("DSRI", a Nevada corporation). DSRI holds a 70% right, title and interest in and to the Cook Property (the "Property") located in Humboldt County, Nevada. Under the LOI, the Company and Aurex have agreed to act in good faith to draft, negotiate and execute a definitive share purchase agreement (the "Definitive Agreement") respecting the Transaction.

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The Transaction is intended to qualify as the Company's QT. Following closing, the resulting issuer (the "Resulting Issuer") will be a "Mining" issuer under the policies of the Exchange. Trading of the common shares of the Company was halted on May 7, 2021 and will remain halted and will recommence at such time as the Exchange may determine, having regard to the completion of certain requirements pursuant to Exchange Policy 2.4.

The Transaction is subject to completion of certain conditions precedent, including without limitation: execution of the Definitive Agreement; the preparation and filing of a Filing Statement with the Exchange; completion by the Company of a private placement (the "Private Placement") for gross proceeds of no less than \$2,000,000; and receipt of all necessary regulatory and Exchange approvals.

Under the Private Placement, the Company intends to raise no less than \$2,000,000 and no more than \$3,000,000 through the issuance of units of the Company at a price of not less than \$0.15 per unit, with each unit expected to be comprised of one share and one common share purchase warrant exercisable for an additional share for two years at an exercise price of not less than \$0.15.