
1246778 B.C. LTD.

ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD FROM INCORPORATION ON APRIL 8, 2020 TO DECEMBER 31, 2020

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of 1246778 B.C. Ltd.:

Opinion

We have audited the financial statements of 1246778 B.C. Ltd. (the "Company"), which comprise the statement of financial position as at December 31, 2020 and the statement of loss and comprehensive loss, statement of changes in shareholders deficit and statement of cash flows for the period from incorporation on April 8, 2020 to December 31, 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the period from incorporation on April 8, 2020 to December 31, 2020 in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which describes the events and conditions indicating that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion & Analysis filed with the relevant Canadian securities commissions.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is John C. Sinclair.

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

Toronto, Ontario
March 10, 2021

1246778 B.C. LTD.
STATEMENT OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	December 31, 2020
ASSETS		
Current assets		
Cash		\$ -
Total assets		\$ -
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities		\$ 3,653
Due to related parties	3	37,489
		41,142
SHAREHOLDERS' DEFICIT		
Share capital	4	300
Deficit		(41,442)
		(41,142)
Total liabilities and shareholders' deficit		\$ -

Nature of operations and going concern (Note 1)

Approved and authorized on behalf of the Board of Directors on March 10, 2021

Director James Ward (signed)

Director Matt Zabloski (signed)

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

1246778 B.C. LTD.
STATEMENT OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	For the period from incorporation on April 8, 2020 to December 31, 2020	
EXPENSES		
Accounting and corporate secretarial fees	\$	24,591
Professional fees		15,882
Regulatory and filing fees		969
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	\$	(41,442)
NET LOSS PER SHARE – BASIC AND DILUTED	\$	(0.014)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		3,000,000

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

1246778 B.C. LTD.**STATEMENT OF CHANGES IN SHAREHOLDERS DEFICIT**

For the period from incorporation on April 8, 2020 to December 31, 2020

(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Deficit	Total
Issued at incorporation on April 8, 2020	3,000,000	\$ 300	\$ -	\$ 300
Net loss and comprehensive loss for the period	-	-	(41,442)	(41,442)
Balance, December 31, 2020	3,000,000	\$ 300	\$ (41,442)	\$ (41,142)

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

1246778 B.C. LTD.**STATEMENT OF CASH FLOWS**

For the period from incorporation on April 8, 2020 to December 31, 2020

(Expressed in Canadian Dollars)

		For the period from incorporation on April 8, 2020 to December 31, 2020
Operating activities:		
Net loss for the period	\$	(41,442)
Changes in non-cash working capital related to operations:		
Due to related parties		37,789
Accounts payable and accrued liabilities		3,653
Net cash used in operating activities		-
Increase in cash during the period		-
Cash – beginning of the period		-
Cash – end of the period	\$	-

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

1246778 B.C. LTD.**NOTES TO THE FINANCIAL STATEMENTS**

For the period from incorporation on April 8, 2020 to December 31, 2020
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

1246778 B.C. Ltd. ("the Company") was incorporated under the Business Corporations Act of British Columbia on April 8, 2020 and its principal business activity is searching for a suitable business or project to acquire, while complying with the requirements of being a public company. The Company's head office is located at 1200 Waterfront Centre, 200 Burrard Street, Vancouver, BC, V6C 3L6.

The Company was a wholly-owned subsidiary of 2583262 Ontario Inc. ("2583262") until a plan of arrangement was completed on July 24, 2020 under which the Company's common shares were distributed to shareholders of 2583262 on a pro-rata basis.

These financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and discharge of liabilities in the normal course of business. As at December 31, 2020, the Company had accumulated a loss of \$41,442 since its incorporation. The continuation of the Company is dependent upon obtaining necessary financing to meet its ongoing operational levels of corporate overhead. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, that it may be unable to discharge its liabilities in the normal course of business. Additional funds will be required to enable the Company to continue its operations and there can be no assurance that financing will be available on terms which are acceptable to the Company. These financial statements do not give effect to any adjustments to the amounts and classifications of assets and liabilities which might be necessary should the Company be unable to continue its operations as a going concern.

In addition, the Company began operations after the World Health Organization categorized COVID-19 as a pandemic. Financial markets around the world have been extremely volatile due to events and conditions resulting from this pandemic and as a result, the volatility could also impact the Company's ability to continue its operations as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES**a) Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and related IFRS Interpretations Committee ("IFRIC") interpretations as issued by the International Accounting Standards Board ("IASB"). These financial statements were approved by the board of directors for issue on March 10, 2021.

b) Basis of presentation

These financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value. In addition, these financial statements are prepared using the accrual basis of accounting, aside from cash flow information.

c) Foreign currencies

These financial statements are presented in Canadian dollars, which is also the functional currency of the Company. Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are charged to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the period from incorporation on April 8, 2020 to December 31, 2020
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Financial instruments

Recognition and classification

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument.

The Company classifies its financial instruments in the following categories: at fair value through profit or 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 financial asset 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.

Measurement

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 profit or 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 profit or loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

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.

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 profit or 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 (continued)

d) Financial instruments (continued)

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 profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets, is recognized in profit or loss.

e) Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. The Company's common shares are classified as equity instruments.

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as deferred assets. Share issuance costs related to uncompleted share subscriptions are recognized in profit or loss.

Equity financing transactions may involve the issuance of units. Units comprise common shares and share purchase warrants. The Company accounts for unit offering proceeds between common shares and share purchase warrants using the residual value method, wherein the fair value of the common shares is based on the fair value ascribed to the shares issued and the balance, if any, is allocated to the attached warrants.

f) Loss per share

Basic loss per share represents the loss for the period, divided by the weighted average number of common shares outstanding during the period. Diluted loss per share represents the loss for the period, divided by the weighted average number of common shares outstanding during the period plus the weighted average number of dilutive shares resulting from the exercise of stock options, warrants and other similar instruments where the inclusion of these would not be anti-dilutive.

g) Income taxes

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

2. New and revised standards and interpretations

The Company has adopted the following standards, interpretations and amendments effective for reporting periods beginning on or after January 1, 2020. The adoption of these standards did not have a material impact on the Company's financial statements:

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

Amendments to IFRS 3 – Definition of Business was issued in October 2018 by the IASB to improve the definition of a business. It is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments:

- confirmed that a business must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrowed the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and
- added an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

3. RELATED PARTY TRANSACTIONS

As at December 31, 2020, the Company has \$37,489 in related party liabilities owing to its parent, 2583262 for expenses paid by 2583262 on behalf of the Company. They are non-interest bearing with no specific terms of repayment.

1246778 B.C. LTD.**NOTES TO THE FINANCIAL STATEMENTS**

For the period from incorporation on April 8, 2020 to December 31, 2020
(Expressed in Canadian Dollars)

4. SHARE CAPITAL

- a) Authorized – Unlimited common shares without par value.
- b) Issued and outstanding – 3,000,000 common shares

5. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' deficit of \$41,142 at December 31, 2020.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust its capital structure, the Company may issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. The Company is dependent on the capital markets as its sole source of operating capital. The Company's capital resources are largely determined by the strength of the junior resource markets. The Company is not subject to any externally imposed capital requirements.

6. FINANCIAL INSTRUMENTS

For financial instruments held or issued by the Company, management classifies accounts payable and accrued liabilities and due to related parties as amortized cost.

- a) Fair value of financial instruments

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

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

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

As at December 31, 2020, the Company believes that the carrying values of accounts payable and accrued liabilities and due to related parties approximate their fair values because of their nature and relatively short maturity dates or durations.

Financial instrument	Category	December 31, 2020	
Accounts payable and accrued liabilities	Amortized cost	\$	3,653
Due to related parties	Amortized cost	\$	37,489

- b) Management of risks arising from financial instruments

Discussions of risks associated with financial assets and liabilities are detailed below:

NOTES TO THE FINANCIAL STATEMENTS

For the period from incorporation on April 8, 2020 to December 31, 2020
(Expressed in Canadian Dollars)

6. FINANCIAL INSTRUMENTS (continued)Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize such a loss is limited because the Company has no interest-bearing financial instruments.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. As at December 31, 2020, the Company does not have sufficient cash to settle liabilities as they come due. The company is exposed to liquidity risk in the amount of \$41,142.

7. INCOME TAXES

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to loss before income taxes. These differences result from the following items for the period ended December 31:

	December 31, 2020
	\$
Loss for the period	41,442
Canadian federal and provincial income tax rates	27%
Expected income tax recovery at statutory rate	11,189
Increase (decrease) due to:	
Losses for which no tax benefit is recognized	(11,189)
Income tax recovery	-

The components of unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset has been recognized are as follows:

	December 31, 2020
	\$
Non-capital losses	41,442
Unrecognized temporary differences and non-capital losses	41,442

In assessing the ability to realize deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those deferred tax assets are deductible.

The Company has a December 31 year end for tax purposes. As at December 31, 2020, the Company had non-capital losses of approximately \$41,442 that expire in 2040.