

**SHANE RESOURCES LTD.**

207-120 Sonnenschein Way

Saskatoon, SK

S7M 0W2

**SHANE RESOURCES LTD.**

**Annual Financial Statements**

**For the years ended December 31, 2020 and 2019**

**(Expressed in Canadian Dollars)**

## INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Shane Resources Ltd.**

### **Opinion**

We have audited the financial statements of Shane Resources Ltd. (the “Company”), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of operations and comprehensive loss, changes in shareholders equity (deficiency) and cash flows for the years then ended, 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 September 30, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

### **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 2 of the financial statements, which indicates that for the year ended December 31, 2020, the Company had a net loss and comprehensive loss of \$52,542 (2019 – \$88,106) and an accumulated deficit of \$6,877,534 (2019 - \$6,824,992). As stated in Note 2, these events and conditions indicate 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 Management Discussion and Analysis.

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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, 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 IFRS, 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 George G. Lovrics.

Toronto, Ontario  
April 29, 2021

*Stera & Lovrics LLP*

Chartered Professional Accountants  
Licensed Public Accountants

**SHANE RESOURCES LTD.**

**STATEMENTS OF FINANCIAL POSITION**  
**(Expressed in Canadian Dollars)**  
**AS AT**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 19,182	\$ -
Receivables	10,548	3,020
	<u>\$ 29,730</u>	<u>\$ 3,020</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable	\$ 19,836	\$ 31,000
	<u>19,836</u>	<u>31,000</u>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
Capital stock (Note 5)	6,887,428	6,797,012
Deficit	<u>(6,877,534)</u>	<u>(6,824,992)</u>
	9,894	(27,980)
	<u>\$ 29,730</u>	<u>\$ 3,020</u>

**Nature of operations** (Note 1)

**Going Concern** (Note 2)

**Subsequent Event** (Note 9)

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

Approved and authorized by the Board of Directors on April 29, 2021:

“Binyomin Posen”

Director

“Sendi Shorser”

Director

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

**SHANE RESOURCES LTD.**

**STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

	For the years ended	
	December 31, 2020	December 31, 2019
<b>Operating costs for the year</b>		
Public company fees	\$ 975	\$ 20,086
Management and consulting fees (Note 7)	-	28,500
Professional fees	51,567	39,520
<b>Net loss and comprehensive loss for the year</b>	<b>\$ 52,542</b>	<b>\$ 88,106</b>
<b>Loss per share - basic and diluted</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted average common shares</b>	<b>21,705,021</b>	<b>1,892,185</b>

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

**SHANE RESOURCES LTD.**  
**STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)

	<b>For the years ended</b>	
	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Cash flows used in operating activities</b>		
Net loss for the year	\$ (52,542)	\$ (88,106)
Non-cash working capital item changes:		
Receivables	(7,528)	(2,394)
Accounts payable	3,836	18,500
	(56,234)	(72,000)
<b>Cash flows provided by financing activities</b>		
Issuance of share capital	75,416	72,000
	75,416	72,000
<b>Change in cash during the year</b>	19,182	-
<b>Cash, beginning of year</b>	-	-
<b>Cash, end of year</b>	\$ 19,182	\$ -
<b>Cash (paid) received during the year for income taxes and interest</b>	\$ -	\$ -

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

**SHANE RESOURCES LTD.**

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**(Expressed in Canadian Dollars)**

	<b>Number of Shares*</b>	<b>Capital Stock</b>	<b>Deficit</b>	<b>Total</b>
<b>Balance December 31, 2018</b>	<b>662,231</b>	<b>\$ 6,725,012</b>	<b>\$ (6,736,886)</b>	<b>\$ (11,874)</b>
Issuance of shares	2,141,754	72,000	-	72,000
Loss for the period	-	-	(88,106)	(88,106)
<b>Balance December 31, 2019</b>	<b>2,803,985</b>	<b>6,797,012</b>	<b>(6,824,992)</b>	<b>(27,980)</b>
Issuance of shares for cash, net of costs	17,892,661	70,879	-	70,879
Issuance of shares for cash	907,339	4,537	-	4,537
Issuance of shares for debt	3,000,000	15,000	-	15,000
Loss for the period	-	-	(52,542)	(52,542)
<b>Balance December 31, 2020</b>	<b>24,603,985</b>	<b>\$ 6,887,428</b>	<b>\$ (6,877,534)</b>	<b>\$ 9,894</b>

\*The share numbers have been adjusted to reflect a consolidation of the Company's share capital on a one new for 40 old basis effective June 5, 2020. Fractional shares were rounded down. Prior year number of shares outstanding have been adjusted to reflect this change as if it had occurred at the beginning of the year.

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



# SHANE RESOURCES LTD.

## Notes to the Annual Financial Statements December 31, 2020 and 2019 (Expressed in Canadian Dollars)

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### 1. Nature of Operations

Shane Resources Ltd. (the “Company”) is a corporation incorporated under the laws of Saskatchewan.

On January 31, 2014, the shareholders, on a “majority of minority” basis, authorized the delisting of the Company’s shares from the NEX board of the TSX Venture Exchange. Shareholders also approved the sale of substantially all of the assets of the Company and the winding up of the Company.

On June 20, 2014, the Company was dissolved.

On December 21, 2018 the Company was revived. On May 9, 2019, the Securities Division of the Financial and Consumer Affairs Authority of Saskatchewan issued a variation order of its cease trade order dated June 11, 2014, which allowed the Company complete the following transactions: (i) entered into a loan agreement with an arm’s length lender in the amount of \$10,000 which is convertible into 500,000 common shares of the Company at \$0.02 per share and 500,000 warrants of the Company at an exercise price of \$0.08 per share; (ii) issued 1,000,000 common shares at \$0.02 per share to raise a total of \$20,000; and (iii) issued 155,672 common shares at \$0.02 per share for cash proceeds of \$3,113 and 486,082 common shares at \$0.08 for cash proceeds of \$38,887.

As a result of the above transactions in 2019, Loomac Management Ltd. beneficially owned and controlled a total of 69% of the issued common shares of the Company. If Loomac Management Ltd. exercised all its warrants, it would have beneficially owned approximately 75% of the issued and outstanding common shares of the Company on a fully diluted basis, at that time.

On November 12, 2019, the Company announced that on November 8, 2019 the Financial and Consumers Affairs Authority, Securities Division of Saskatchewan issued an order revoking its previously issued cease trade order in respect of the securities of the Corporation.

In 2020, the Company completed the following transactions: (i) issued 17,892,661 common shares for proceeds of \$89,463 before costs of \$18,584 were applied against the proceeds; (ii) issued 907,339 common shares for proceeds of \$4,537; (iii) issued 3,000,000 shares to settle creditor debts in the amount of \$15,000.

As a result of the above transactions, at December 31, 2020, KW Capital Partners (“KW”) beneficially owned and controlled a total of 36% of the issued common shares of the Company. If KW exercised all its warrants, it would have beneficially owned approximately 36% of the issued and outstanding common shares of the Company on a fully diluted basis, at that time.

### 2. Going Concern

These financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going-concern, which assumes that the Company will be able to realize its assets and

# SHANE RESOURCES LTD.

## Notes to the Annual Financial Statements December 31, 2020 and 2019 (Expressed in Canadian Dollars)

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discharge its liabilities in the normal course of business for the foreseeable future. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in the financial statements. The ability of the Company to continue as a going concern is dependent on its ability to obtain additional equity financing and achieve future profitable operations.

As at December 31, 2020, the Company had a net loss of \$52,542 (December 31, 2019 - \$88,106) and an accumulated deficit of \$6,877,534 (December 31, 2019 - \$6,824,992). The Company's liquidity is dependent on its ability to obtain additional equity financing and achieve future profitable operations.

The Company has not generated revenue from operations and will require additional financing to maintain its operations and activities. These material uncertainties and conditions may cast significant doubt as to the Company's ability to continue as a going concern.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

### 3. Basis of Presentation

#### Statement of compliance

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

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.

These financial statements were authorized for issue by the Board of Directors on April 29, 2021.

#### Basis of measurement

These financial statements are presented in Canadian dollars, unless otherwise stated.

#### Critical accounting judgments and estimates

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements

# SHANE RESOURCES LTD.

## Notes to the Annual Financial Statements December 31, 2020 and 2019 (Expressed in Canadian Dollars)

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and the reported expenses during the period. Actual results could differ from these estimates.

### *Critical judgments in applying accounting policies*

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company, as discussed in Note 2.

#### **4. Significant Accounting Policies**

The financial statements of the Company have been prepared in accordance with IFRS and reflect the following significant accounting policies:

##### **Financial Instruments**

All financial assets not classified at amortized cost or fair value through other comprehensive income (“FVOCI”) are measured at fair value through profit or loss (“FVTPL”). On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the consolidated statement of loss and comprehensive loss for the period. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

The Company classified cash and accounts receivable at amortized cost and accounts payable at amortized cost.

Impairment of financial assets:

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available,

# SHANE RESOURCES LTD.

## Notes to the Annual Financial Statements December 31, 2020 and 2019 (Expressed in Canadian Dollars)

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and reasonable and supportive forward-looking information.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs)

As at December 31, 2020 and December 31, 2019, the Company did not have any financial instruments recorded at fair value.

### **Impairment of long lived assets**

At each financial position reporting date the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

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

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. For diluted per share computations, assumptions are made regarding potential common shares outstanding during the year. The weighted average number of common shares is increased to include the number of additional common shares that would be outstanding if, at the beginning of the year, or at time of issuance, if later, all options and warrants are exercised. Proceeds from exercise are used to purchase the Company's common shares at their average market price during the year, thereby reducing the weighted average number of common shares outstanding. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

# SHANE RESOURCES LTD.

## Notes to the Annual Financial Statements December 31, 2020 and 2019 (Expressed in Canadian Dollars)

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### **Income taxes**

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probably that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probably that future taxable profit will allow the deferred tax asset to be recovered.

### **Share based payments**

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The Company recognizes share-based compensation expense based on the estimated fair value of the options. A fair value measurement is made for each vesting installment within each option grant and is determined using the Black-Scholes option-pricing model. The fair value of the options is recognized over the vesting period of the options granted as both share-based compensation expense and reserves. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods. The reserves account is subsequently reduced if the options are exercised and the amount initially recorded is then credited to capital stock.

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

### **Foreign currency translation**

The functional currency and the reporting currency of the Company is the Canadian dollar. Transactions denominated in foreign currency are translated into Canadian dollars at the rate of exchange in effect at the

# SHANE RESOURCES LTD.

## Notes to the Annual Financial Statements December 31, 2020 and 2019 (Expressed in Canadian Dollars)

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date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the rate of exchange in effect at the statement of financial position date, while non-monetary assets and liabilities are translated at historical rates.

Any gains or losses resulting from translation have been included in the statement of operations and comprehensive loss.

### **Comprehensive income (loss)**

Comprehensive income (loss) is the change in the Company's equity that results from transactions and other events from other than the Company's shareholders. Gains and losses that would otherwise be recorded as part of net earnings is presented in other "comprehensive income" until it is considered appropriate to recognize into net earnings. Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. For the years presented, net loss was the same as comprehensive loss.

### **Changes in Accounting Policies**

Certain pronouncements were issued by the IASB or IFRIC that are mandatory for the Company's accounting period beginning on January 1, 2020. The following amendment has been adopted:

IFRS 16, Leases ("IFRS 16") On January 13, 2016, the IASB published a new standard, IFRS 16, Leases, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. On January 1, 2020, the Company adopted IFRS 16. The adoption of this standard does not have a material impact on the Company's consolidated financial statements.

### **5. Capital Stock and Reserves**

On June 5, 2020 the Company completed a consolidation of its share capital on a one new for forty old basis. The share and per share amounts have been adjusted within these financial statements to reflect the share consolidation

The authorized capital stock of the Company is an unlimited number of common shares and unlimited number of preferred shares issuable in series. The issued common shares in the Company are as follows:

## SHANE RESOURCES LTD.

### Notes to the Annual Financial Statements December 31, 2020 and 2019 (Expressed in Canadian Dollars)

	Common Shares	Amount
	#	\$
Balance, December 31, 2018	662,231	6,725,012
Issued for cash	2,141,754	72,000
Balance, December 31, 2019	2,803,985	6,797,012
Issued for cash, net of costs	17,892,661	70,879
Issued for cash	907,339	4,537
Issued for debt	3,000,000	15,000
Balance, December 31, 2020	24,603,985	6,887,428

On June 5, 2020, the Company effected a share consolidation, with forty pre-Consolidation common shares exchanged for one post-Consolidation share. Fractional shares were rounded down. Prior numbers of shares outstanding have been adjusted to reflect this change as if it had occurred at the beginning of the period.

On May 27, 2019, the Company announced that Loomac Management Ltd. acquired, pursuant to the conversion of a loan in the amount of \$10,000 advanced by Loomac Management Ltd. to the Company, 500,000 units of the Company at a price of \$0.02 per unit. Each unit consists of one common share and one common share purchase warrant (“warrant”), each warrant entitling the holder to purchase one additional common share at an exercise price of \$0.08 per share until May 27, 2024. The common shares, the warrants and the common shares issuable upon exercise of the warrants are subject to a statutory four-month hold period and cease trade order dated June 11, 2014 issued against the Company by the Securities Division of the Financial and Consumer Affairs Authority of Saskatchewan.

On May 27, 2019, the Company announced that Loomac Management Ltd. acquired, pursuant to a private placement, beneficial ownership and control of 1,000,000 common shares at a price of \$0.02 per share which have a four-month hold period and cease trade order dated June 11, 2014 issued against the Company by the Securities Division of the Financial and Consumer Affairs Authority of Saskatchewan.

On June 25, 2019, the Company closed a private placement where the Company issued (i) 155,672 common shares, at a subscription price of \$0.02 per common share; and (ii) 486,082 common shares, at a subscription price of \$0.08 per common share. The common shares are subject to a statutory four-month hold period and cease trade order dated June 11, 2014 issued against the Company by the Securities Division of the Financial and Consumer Affairs Authority of Saskatchewan.

On February 18, 2020, the Company issued 17,892,661 common shares for proceeds of \$89,463. Costs of \$18,584 were applied against the proceeds. The common shares are subject to a statutory four-month hold period.

On February 21, 2020, the Company issued 907,339 common shares for proceeds of \$4,537. Concurrently, the Company issued 3,000,000 shares to settle creditor debts in the amount of \$15,000. These shares were subject to a statutory four-month hold period.

# SHANE RESOURCES LTD.

## Notes to the Annual Financial Statements December 31, 2020 and 2019 (Expressed in Canadian Dollars)

### Stock Options

The Company has established a share-based compensation plan pursuant to which options to purchase common shares may be granted to certain officers, directors, and contractors of the Company as well as persons providing ongoing services to the Company. The aggregate number of shares issuable under the plan shall not exceed 10% of the issued and outstanding common shares of the Company. Unless otherwise determined by the Board of Directors of the Company (the “Board”), the exercise price of options equals at least the closing price of the common shares on the day prior to the date of the grant. Stock options vest in accordance with the determination of the Board at the time of the grant and may be granted for up to a ten year term in accordance with TSX Venture Exchange policy.

### Options Granted

During the years ended December 31, 2020 and 2019, the Company granted no stock options and had no stock options outstanding.

### Warrants

The following is a summary of warrants outstanding as at December 31, 2020 and December 31, 2019:

	Number of Warrants	Weighted Average Exercise Price
Outstanding at December 31, 2019	-	\$ -
Issued	500,000	0.08
Outstanding at December 31, 2020	500,000	0.08

As at December 31, 2020, the Company had the following warrants outstanding:

Outstanding	Exercise Price	Remaining Contractual Life (years)	Expiry Date
500,000	\$ 0.08	3.41	May 27, 2024

## 6. Income Taxes

A reconciliation of income taxes at statutory rates is as follows:



## SHANE RESOURCES LTD.

### Notes to the Annual Financial Statements December 31, 2020 and 2019 (Expressed in Canadian Dollars)

	For the years ended	
	December 31, 2020	December 31, 2019
Loss before income taxes	\$ (52,542)	\$ (88,106)
Combined federal and provincial statutory income tax rate	27%	27%
Expected income tax recovery at statutory tax rates	(14,186)	(24,000)
Share issue costs	(3,717)	-
Change in unrecognized deductible temporary differences	17,903	24,000
<b>Total future income tax recovery</b>	<b>\$ -</b>	<b>\$ -</b>

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	December 31 2020	Expiry	December 31 2019	Expiry
Property and equipment	\$ 1,000	No expiry	\$ 1,000	No expiry
Share issue costs	14,900	2021-2024	-	-
Non-capital losses available for future periods	464,000	2026-2039	412,000	2026-2038
Exploration and evaluation assets	417,000	No expiry	417,000	No expiry

Tax attributes are subject to review and potential adjustment by tax authorities.

#### 7. Related Party Transactions

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

##### Key management personnel

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

# SHANE RESOURCES LTD.

## Notes to the Annual Financial Statements December 31, 2020 and 2019 (Expressed in Canadian Dollars)

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Remuneration attributed to key management personnel can be summarized as follows:

	For the year ended	
	December 31, 2020	December 31, 2019
Consulting and professional fees	\$ -	\$ 28,500
	<u>\$ -</u>	<u>\$ 28,500</u>

### Other related parties

Fees during 2019 related to \$5,000 for each director and \$13,500 for CFO fees. As at December 31, 2020 and 2019 there were no accounts payable to these individuals.

### 8. Financial Instruments and Capital Risk Management

The Company's financial instruments consist of receivables, and accounts payable.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

#### *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 receivables consist of GST/HST receivable due from the government of Canada. The Company does not believe it is exposed to significant credit risk.

#### *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 as of December 31, 2020 has cash on hand of \$19,182 and \$19,836 in current liabilities. The Company is exposed to liquidity risk.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements and loans from related and other parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

#### *Market risk*

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## Notes to the Annual Financial Statements December 31, 2020 and 2019 (Expressed in Canadian Dollars)

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Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The risk that the Company will realize a loss as a result of a decline in the interest rate is low, as the Company has no investments with variable interest rates.

b) Foreign currency risk

As at December 31, 2020, the Company's expenditures are predominantly in Canadian dollars, and any future equity raised is expected to be predominantly in Canadian dollars. As a result, the Company believes its currency risk to be minimal.

c) Price risk

Price risk is related to equity and commodity price risks. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. As the Company holds no equity or commodity related investments or assets, the Company has no exposure to price risk.

### *Capital management*

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and investments.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

### **9. Subsequent Event**

On April 9, 2021, the Company announced it has entered a letter of intent ("LOI") with Empatho Corp. an Artificial Intelligence company with a presence in the virtual wellness sector, to complete a business transaction by way of reverse takeover. The final structure of the Company is to be determined following receipt of tax, corporate and securities law advice.