# AIML RESOURCES INC.

(formerly Firebird Resources Inc.)

Financial Statements

Years Ended April 30, 2020 and 2019

(Expressed in Canadian dollars)

SATURNA GROUP
CHARTERED PROFESSIONAL ACCOUNTANTS LLP
1066 West Hastings Street, Suite 1250
Vancouver, BC Canada V6E 3X1

# INDEPENDENT AUDITORS' REPORT

**To the Shareholders of AIML Resources Inc. (formerly Firebird Resources Inc.)**

## Opinion

We have audited the accompanying financial statements of AIML Resources Inc. (formerly Firebird Resources Inc.) (the "Company"), which comprise the statements of financial position as at April 30, 2020 and 2019 and the statements of operations and comprehensive loss, changes in equity, 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 April 30, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audits 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 indicates that the Company has not generated any revenues and has negative cash flow from operations during the year ended April 30, 2020 and, as of that date, the Company had a working capital deficit of $1,962,295 and an accumulated deficit of $24,800,701. As stated in Note 1 of the financial statements, these events or conditions, along with other matters, 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.

## Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the financial statements and our auditor's report thereon.

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 or otherwise appears to be materially misstated. If, based on the work we have performed, conclude that there is a material misstatement of this other information, we are required to report that fact. 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 these 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.

**Auditors' Responsibility 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 auditors' report is Henry Chow.

Saturna Group LLP

Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

September 29, 2020

**AIML RESOURCES INC.**
(formerly Firebird Resources Inc.)
Statements of financial position
(Expressed in Canadian dollars)

| | April 30, 2020 $ | April 30, 2019 $ |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash | 137,750 | 3,815 |
| Marketable securities (Note 3) | 39,417 | 17,917 |
| Amounts receivable | 1,941 | 1,858 |
| Loan receivable | – | 17,064 |
| Total current assets | 179,108 | 40,654 |
| Non-current assets | | |
| Exploration and evaluation assets (Notes 4 and 7) | 140,759 | 115,980 |
| Total assets | 319,867 | 156,634 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Note 5) | 938,583 | 934,492 |
| Notes payable (Note 6) | 422,000 | 422,000 |
| Due to related parties (Note 7) | 780,820 | 734,820 |
| Total liabilities | 2,141,403 | 2,091,312 |
| Shareholders' deficit | | |
| Share capital | 19,710,010 | 19,524,482 |
| Share-based payment reserve | 3,038,063 | 2,894,941 |
| Equity portion of convertible debenture | 231,092 | 231,092 |
| Deficit | (24,800,701) | (24,585,193) |
| Total shareholders' deficit | (1,821,536) | (1,934,678) |
| Total liabilities and shareholders' deficit | 319,867 | 156,634 |

Nature of operations and continuance of business (Note 1)
Subsequent events (Note 14)

Approved and authorized for issuance by the Board of Directors on September 29, 2020:

*/s/ 'Thomas R. Tough'*

Thomas R. Tough, Director

*/s/ 'John Cook'*

John Cook, Director

(The accompanying notes are an integral part of these financial statements)

**AIML RESOURCES INC.**
(formerly Firebird Resources Inc.)
Statements of operations and comprehensive loss
(Expressed in Canadian dollars)

| | Year ended April 30, 2020 $ | Year ended April 30, 2019 $ |
|---|---|---|
| Expenses | | |
| Consulting fees | 54,500 | – |
| General and administrative (Note 7) | 32,354 | 14,753 |
| Impairment of exploration and evaluation assets (Note 4) | 3,024 | – |
| Management fees (Note 7) | 72,000 | 72,000 |
| Professional fees | 17,629 | 11,727 |
| Total operating expenses | 179,507 | 98,480 |
| Loss before other income (expense) | (179,507) | (98,480) |
| Other income (expense) | | |
| Impairment of loan receivable | (18,550) | – |
| Interest expense | (38,951) | (37,203) |
| Unrealized gain (loss) on marketable securities (Note 3) | 21,500 | (32,250) |
| Unrealized gain on loan receivable | – | 1,237 |
| Total other income (expense) | (36,001) | (68,216) |
| Net loss and comprehensive loss | (215,508) | (166,696) |
| Basic and diluted net loss per share | (0.02) | (0.02) |
| Weighted average number of shares outstanding | 8,691,190 | 8,101,026 |

(The accompanying notes are an integral part of these financial statements)

**AIML RESOURCES INC.**
(formerly Firebird Resources Inc.)
Statements of changes in equity
(Expressed in Canadian dollars)

| | Share capital | | Share-based payment reserve | Equity component of convertible debenture | Deficit | Total shareholders' deficit |
|---|---|---|---|---|---|---|
| | Number of shares | Amount $ | $ | $ | $ | $ |
| Balance, April 30, 2018 | 8,101,026 | 19,524,482 | 2,894,941 | 231,092 | (24,418,497) | (1,767,982) |
| Net loss for the year | – | – | – | – | (166,696) | (166,696) |
| Balance, April 30, 2019 | 8,101,026 | 19,524,482 | 2,894,941 | 231,092 | (24,585,193) | (1,934,678) |
| Shares issued for private placement | 3,000,000 | 191,764 | 138,236 | – | – | 330,000 |
| Share issuance costs | – | (6,236) | 4,886 | – | – | (1,350) |
| Net loss for the year | – | – | – | – | (215,508) | (215,508) |
| Balance, April 30, 2020 | 11,101,026 | 19,710,010 | 3,038,063 | 231,092 | (24,800,701) | (1,821,536) |

(The accompanying notes are an integral part of these financial statements)

**AIML RESOURCES INC.**
(formerly Firebird Resources Inc.)
Statements of cash flows
(Expressed in Canadian dollars)

| | Year ended April 30, 2020 $ | Year ended April 30, 2019 $ |
|---|---|---|
| Operating Activities | | |
| Net loss | (215,508) | (166,696) |
| Items not involving cash: | | |
| Impairment of exploration and evaluation assets | 3,024 | – |
| Impairment of loan receivable | 18,550 | – |
| Unrealized gain on loan receivable | – | (1,237) |
| Unrealized loss (gain) on marketable securities | (21,500) | 32,250 |
| Changes in non-cash working capital items: | | |
| Amounts receivable | (1,568) | 1,537 |
| Accounts payable and accrued liabilities | 4,090 | 51,658 |
| Due to related parties | 86,000 | 75,340 |
| Net cash used in operating activities | (126,912) | (7,148) |
| Investing Activities | | |
| Exploration and evaluation expenditures | (27,803) | (19,945) |
| Net cash used in investing activities | (27,803) | (19,945) |
| Financing Activities | | |
| Proceeds from issuance of common shares | 330,000 | – |
| Share issuance costs | (1,350) | – |
| Repayments to related parties | (40,000) | – |
| Net cash provided by financing activities | 288,650 | – |
| Change in cash | 133,935 | (27,093) |
| Cash, beginning of year | 3,815 | 30,908 |
| Cash, end of year | 137,750 | 3,815 |
| Non-cash investing and financing activities: | | |
| Exploration and evaluation expenditures owed to related parties | 8,000 | 35,000 |
| Fair value of share purchase warrants issued as part of private placement | 138,236 | – |

(The accompanying notes are an integral part of these financial statements)

## 1. Nature of Operations and Continuance of Business

AIML Resources Inc. (formerly Firebird Resources Inc.) (the "Company") was incorporated under the British Columbia Business Corporations Act and is listed on the TSX Venture Exchange. The Company is an exploration stage company that is in the process of exploring its mineral properties located in Canada and the United States of America and has not yet determined whether these properties contain reserves that are economically recoverable. The Company's registered office is located at Suite 200, 82 Richmond Street East, Toronto, Ontario M5C 1P1.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The impact on the Company is not currently determinable, but management continues to monitor the situation.

These financial statements have been prepared on a 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. During the year ended April 30, 2020, the Company has not generated any revenues and has negative cash flow from operations. As at April 30, 2020, the Company has a working capital deficit of $1,962,295 and an accumulated deficit of $24,800,701. 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 it has sufficient working capital to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing may be required but will not be available on a timely basis or on terms acceptable to the Company. 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. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

## 2. Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board on a going concern basis.

The financial statements have been prepared on a historical cost basis. These financial statements are presented in Canadian dollars, which is the Company's functional currency.

(b) Use of Estimates and Judgments

The preparation of these financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include the collectability of loan receivable, impairment of marketable securities, recoverability of exploration and evaluation assets, fair value of share-based payments, and the measurement of unrecognized deferred income tax assets.

Judgments made by management include the factors used to assess whether the going concern assumption is appropriate. The assessment of the going concern assumption requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

**2. Significant Accounting Policies** (continued)

(b) Use of Estimates and Judgments (continued)

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available.

(c) Application of New IFRS

*IFRS 16, Leases*

On May 1, 2019, the Company adopted IFRS 16 – Leases ("IFRS 16") which replaced IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after May 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applied in IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less), leases with certain variable lease payments, and leases of low-value assets.

The Company adopted the amendments to IFRS 16 effective May 1, 2019, using the modified retrospective method, with no significant impact on the Company's financial statements.

(d) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(e) Exploration and Evaluation Expenditures

Asset acquisition costs and exploration and evaluation expenditures are recorded at cost. When shares are issued as part of asset acquisition costs, they are valued at the closing share price on the date of issuance unless the fair value of goods or services received is determinable. Payments relating to assets acquired under an option or joint venture agreement, where payments are made at the sole discretion of the Company, are recorded in the financial statements upon payment.

Option payments received are treated as a reduction of the carrying value of the related asset until the Company's option and/or royalty payments received are in excess of costs incurred and then are credited to income.

All expenditures related to the cost of exploration and evaluation of assets including acquisition costs for interests in mineral claims are classified and capitalized until the property to which they relate is placed into production, sold, allowed to lapse, or abandoned. These costs will be depleted over the estimated useful life of the property following commencement of commercial production.

The Company has taken steps, in accordance with industry standards, to verify mineral properties in which it has an interest. Although the Company has made efforts to ensure that legal title to its properties is properly recorded in the name of the Company when all terms of agreements have been met, there can be no assurance that such title will ultimately be secured.

**2. Significant Accounting Policies** (continued)

(e) Exploration and Evaluation Expenditures (continued)

*Impairment*

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices, and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the statement of operations.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the statement of operations.

(f) Reclamation and Remediation Provisions

The Company recognizes a provision for statutory, contractual, constructive, or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant, and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability including risks specific to the countries in which the related operation is located.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant, and equipment. These costs are depreciated using either the unit of production or straight-line method depending on the asset to which the obligation relates.

The obligation is increased for the accretion and the corresponding amount is recognized as a finance expense. The obligation is also adjusted for changes in the estimated timing, amount of expected future cash flows, and changes in the discount rate. Such changes in estimates are added to or deducted from the related asset except where deductions are greater than the carrying value of the related asset in which case, the amount of the excess is recognized in the statement of operations.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases, interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available.

**2. Significant Accounting Policies** (continued)

(g) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the respective instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are included in the initial carrying value of the related instrument and are amortized using the effective interest method. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the statement of operations.

Fair value estimates are made at the statement of financial position date based on relevant market information and information about the financial instrument. All financial instruments are classified into either: fair value through profit or loss ("FVTPL") or amortized cost.

The Company has made the following classifications:

| | |
|---|---|
| Cash | Amortized cost |
| Marketable securities | FVTPL |
| Amounts receivable | Amortized cost |
| Loan receivable | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |
| Notes payable | Amortized cost |
| Amounts due to related parties | Amortized cost |

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

*Financial assets at FVTPL*

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

*Financial assets at amortized cost*

Financial assets at amortized cost are non-derivative financial assets which are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Subsequent to initial recognition, financial assets are measured at amortized cost using the effective interest method, less any impairment.

Subsequent to initial recognition, financial liabilities are measured at amortized cost, unless designated as fair value through profit or loss.

**2. Significant Accounting Policies** (continued)

(g) Financial Instruments (continued)

*Impairment of Financial Assets*

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been decreased. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are offset against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations. Loss allowances are based on the lifetime ECL's that result from all possible default events over the expected life of the trade receivable, using the simplified approach.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(h) Financial Liabilities and Equity Instruments

*Classification as debt or equity*

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized as the proceeds received, net of direct issue costs.

*Other financial liabilities*

Other financial liabilities (including loans and borrowings and trade payables and other liabilities) are initially measured at fair value, net of transaction costs. Subsequently, other financial liabilities are measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(i) Foreign Currency Translation

The functional and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the statement of operations.

**2. Significant Accounting Policies** (continued)

(j) Income Taxes

*Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred income tax*

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(k) Flow-through Shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. When expenditures are renounced, the deferred income tax liability associated with the renounced tax deductions is recognized through the statement of operations with a pro-rata portion of the deferred premium.

(l) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at April 30, 2020, the Company has 3,135,000 (2019 – nil) potentially dilutive shares outstanding.

**2. Significant Accounting Policies** (continued)

(m) Comprehensive Income (Loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the statement of operations.

(n) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as stock-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in share-based payment reserve, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

(o) Accounting Standards Issued But Not Yet Effective

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

**3. Marketable Securities**

On May 20, 2016, the Company received 716,667 common shares of Pancontinental Gold Corporation with a fair value of $53,750 as part of the consideration for the sale of the Jefferson Property. The common shares are classified as fair value through profit and loss and as of April 30, 2020, the fair value of the common shares was $39,417 (2019 - $17,917). During the year ended April 30, 2020, the Company recorded an unrealized gain of $21,500 (2019 – unrealized loss of $32,250) which has been recorded in the statement of operations.

(Expressed in Canadian dollars)

### 4. Exploration and Evaluation Assets

| | Mountain of Gold $ | Buzzard $ | Total $ |
|---|---|---|---|
| 2020 | | | |
| *Acquisition costs:* | | | |
| Balance, April 30, 2019 | 800 | 72,366 | 73,166 |
| Additions | – | 19,803 | 19,803 |
| Impairment | (800) | – | (800) |
| Total acquisition costs | – | 92,169 | 92,169 |
| *Exploration costs:* | | | |
| Balance, April 30, 2019 | 2,224 | 40,590 | 42,814 |
| Geological fees (Note 7) | – | 8,000 | 8,000 |
| Impairment | (2,224) | – | (2,224) |
| Total exploration costs | – | 48,590 | 48,590 |
| Balance, April 30, 2020 | – | 140,759 | 140,759 |

| | Mountain of Gold $ | Buzzard $ | Total $ |
|---|---|---|---|
| 2019 | | | |
| *Acquisition costs:* | | | |
| Balance, April 30, 2018 | 800 | 52,421 | 53,221 |
| Additions | – | 19,945 | 19,945 |
| Total acquisition costs | 800 | 72,366 | 73,166 |
| *Exploration costs:* | | | |
| Balance, April 30, 2018 | 2,224 | 5,590 | 7,814 |
| Geological fees (Note 7) | – | 35,000 | 35,000 |
| Total exploration costs | 2,224 | 40,590 | 42,814 |
| Balance, April 30, 2019 | 3,024 | 112,956 | 115,980 |

(a) Mountain of Gold Property, Ontario

Pursuant to a mineral property option agreement dated May 4, 2005, the Company was granted an option to acquire a 100% undivided interest in two claims in the Turnbull area of Ontario. In order to keep the option granted to the Company in good standing, the Company was obligated to:

i) issue 50,000 common shares on regulatory approval of the agreement;
ii) issue 50,000 common shares by May 4, 2006; and
iii) issue 100,000 common shares by May 4, 2007.

The Company has earned a 100% interest in the property, subject to retention by the vendor of a 1% net smelter royalty if the Company commences commercial production on the claims. The Company has the option and right to purchase and cancel 100% of the net smelter royalty at any time for $1,000,000.

(Expressed in Canadian dollars)

## 4. Exploration and Evaluation Expenditures (continued)

(a) Mountain of Gold Property, Ontario (continued)

On December 22, 2011, the Company signed a property option agreement with each of Wedona Resources Inc., a private corporation, and Clydesdale Resources Inc. (collectively the "Optionees"), a public company (together, the "Agreements"), whereby the Optionees each can earn a 50% interest in the Mountain of Gold property by incurring $250,000 in exploration expenditures and paying cash of $125,000 (or in Clydesdale Resources Inc.'s case, capital stock of equivalent value) over a three year period until December 31, 2013. The Company received $25,000 relating to the agreement. During the year ended April 30, 2020, the Company recorded an impairment loss of $3,024 as it no longer continues to pursue the property.

(b) Buzzard Property, South Carolina

Pursuant to a mineral lease agreement dated September 1, 2008, the Company was granted an exclusive lease of all mineral exploration rights relating to approximately sixty-eight acres located in South Carolina. In order to keep the lease agreement granted to the Company in good standing, the Company is obligated to:

i) pay US$3,000 per year for each of the third and fourth years of the lease (paid);
ii) pay US$4,000 per year for each of the fifth, sixth, and seventh years of the lease (paid);
iii) pay US$5,000 per year for each of the eighth and ninth years of the lease (paid);
iv) upon the earlier of commercial production or the tenth year of the lease, a minimum annual advanced royalty of US$15,000 per year (paid); and
v) production royalty of 3.5% of the gross returns on any mining production.

## 5. Accounts Payable and Accrued Liabilities

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Trade payable | 636,833 | 671,792 |
| Accrued liabilities | 10,450 | 8,700 |
| Interest payable (Note 6) | 291,300 | 254,000 |
| | 938,583 | 934,492 |

## 6. Notes Payable

(a) On December 10, 2009, the Company completed a convertible debenture financing for proceeds of $255,000. The convertible debenture was unsecured, bears interest at 10% per annum, and matured on December 11, 2014. The debenture was convertible into common shares of the Company at $0.10 per common share at the option of the holder, and the convertible feature expired on December 11, 2014 and the convertible debenture was reallocated to notes payable. In addition, the debenture holder was issued 2,550,000 common share purchase warrants exercisable at $0.10 per share for a period of five years. In connection with this financing, the Company issued 255,000 units with a fair value of $16,575 as finder's fees. Each unit consisted of one common share and one common share purchase warrant exercisable at $0.10 per share for a period of five years. The warrants expired on December 31, 2014.

The Company split the proceeds of the convertible debenture between debt and equity, based on the relative fair values of the debt, conversion option, and warrants. The amount attributable to the debt was $23,908 and the amount attributable to the conversion option and warrants was $231,092. This amount represented a deemed discount on the debt issuance, which is being accreted in the statement of operations using the effective interest rate method over the five-year term of the debt. As at April 30, 2020 and 2019, the carrying value of the note payable is $255,000 (2019 - $255,000) and has recorded interest payable of $225,374 (2019 - $199,805).

## 6. Notes Payable (continued)

(b) As at April 30, 2020, the Company owed $167,000 (2019 - $167,000) to an unrelated company, which is unsecured, bears interest at 10% per annum, and due on demand.

## 7. Related Party Transactions

(a) As at April 30, 2020, the Company owed $770,650 (2019 - $724,650) to a company controlled by the Chief Executive Officer of the Company for management fees and expenses. The amount owing is unsecured, non-interest bearing, and due on demand.

(b) As at April 30, 2020, the Company owed $10,170 (2019 - $10,170) to a company with common directors, which is unsecured, non-interest bearing, and due on demand.

(c) During the year ended April 30, 2020, the Company incurred exploration and evaluation expenditures of $8,000 (2019 - $35,000), management fees of $72,000 (2019 - $72,000), and rent (included in general and administrative expenses) of $6,000 (2019 - $6,000) to a company controlled by the Chief Executive Officer of the Company.

## 8. Share Capital

Authorized: Unlimited common shares without par value

(a) On February 18, 2020, the Company issued 3,000,000 units at $0.11 per unit for proceeds of $330,000. Each unit consisted of one common share and one transferable warrant exercisable at $0.15 per share until February 18, 2021; and at $0.20 per share until February 18, 2022. The proportionate fair value of the share purchase warrants issued was $138,236, and was calculated using the Black-Scholes option pricing model assuming an expected life of 2 years, volatility of 152%, risk free rate of 1.47%, and no expected dividends or forfeitures. As part of the private placement, the paid issuance costs of $1,350 and issued 135,000 finder's warrants with a fair value of $4,886. Each finder's warrant is exercisable at $0.35 per share expiring on August 18, 2020 and was calculated using the Black-Scholes option pricing model.

(b) In January 2020, the Company consolidated its issued and outstanding shares on a 1-for-10 basis. All share amounts have been retroactively restated for all period presented.

*Reserves*

The Company has adopted the relative fair value method with respect to the measurement of common shares and warrants issued as equity units. The relative fair value method requires an allocation of the net proceeds received based on the pro rata relative fair value of the components. If and when the warrants are ultimately exercised, the applicable amounts are transferred from reserve for warrants to share capital.

## 9. Stock Options

The Company has adopted a stock option plan pursuant to which options may be granted to directors, officers, employees, and consultants of the Company to a maximum of 10% of the issued and outstanding common shares, and not exceeding 5% granted to any individual. The stock options have a maximum term of five years and cannot be assigned or transferred.

As at April 30, 2020 and 2019, the Company does not have any issued and outstanding stock options.

(Expressed in Canadian dollars)

## 10. Share Purchase Warrants

The following table summarizes the continuity of the Company's share purchase warrants:

| | Number of warrants | Weighted average exercise price $ |
|---|---|---|
| Balance, April 30, 2018 and 2019 | – | – |
| Issued | 3,135,000 | 0.16 |
| Balance, April 30, 2020 | 3,135,000 | 0.16 |

As at April 30, 2020, the following share purchase warrants were outstanding:

| Number of warrants outstanding | Exercise price $ | Expiry date |
|---|---|---|
| 3,000,000 | 0.15 | February 18, 2022 |
| 135,000 | 0.35 | August 18, 2020 |
| 3,135,000 | | |

## 11. Financial Instruments and Risk Management

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at April 30, 2020 as follows:

| | Fair Value Measurements Using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets for identical instruments (Level 1) $ | Significant other observable inputs (Level 2) $ | Significant unobservable inputs (Level 3) $ | Balance, April 30, 2020 $ |
| Marketable securities | 39,417 | – | – | 39,417 |

The fair values of other financial instruments, which include cash, amounts receivable, loan receivable, accounts payable and accrued liabilities, notes payable, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Amounts receivable consist of accrued interest from the loan receivable and GST refunds due from the Government of Canada. Loan receivable is comprised of a loan to a third-party company. The carrying amount of financial assets represents the maximum credit exposure.

## 11. Financial Instruments and Risk Management (continued)

(c) Foreign Exchange Rate and Interest Rate Risk

The Company is not exposed to any significant foreign exchange rate or interest rate risk. The Company has minimal transactions in US dollars, and a 10% change in foreign exchange rates would not have a material effect on the Company's financial statements.

(d) 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.

(e) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

## 12. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital, share-based payment reserve, and equity portion of convertible debenture.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended April 30, 2019.

## 13. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Canadian statutory income tax rate | 27% | 27% |
| Income tax recovery at statutory rate | (58,187) | (45,008) |
| Tax effect of: | | |
| Permanent differences and other | (905) | (334) |
| True up of prior year difference | – | 5,102 |
| Change in unrecognized deferred income tax assets | 59,092 | 40,240 |
| Income tax provision | – | – |

(Expressed in Canadian dollars)

### 13. Income Taxes

The significant components of deferred income tax assets and liabilities are as follows:

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Deferred income tax assets | | |
| Non-capital losses carried forward | 1,913,282 | 1,850,034 |
| Marketable securities | 4,410 | 9,675 |
| Share issuance costs | 292 | – |
| Resource pools | 1,308,234 | 1,307,417 |
| Total deferred income tax assets | 3,226,218 | 3,167,126 |
| Unrecognized deferred income tax assets | (3,226,218) | (3,167,126) |
| Net deferred income tax assets | – | – |

As at April 30, 2020, the Company has non-capital losses carried forward of $7,086,230, which are available to offset future years' taxable income. These losses expire as follows:

| | $ |
|---|---|
| 2026 | 95,272 |
| 2027 | 159,476 |
| 2028 | 241,374 |
| 2029 | 133,126 |
| 2030 | 211,190 |
| 2031 | 945,293 |
| 2032 | 1,166,878 |
| 2033 | 995,129 |
| 2034 | 804,412 |
| 2035 | 950,799 |
| 2036 | 879,602 |
| 2038 | 133,742 |
| 2039 | 135,683 |
| 2040 | 234,254 |
| | 7,086,230 |

The Company also has available mineral resource related expenditure pools totalling $4,986,070, which may be deducted against future taxable income on a discretionary basis.

### 14. Subsequent Events

(a) On August 16, 2020, the Company entered into a share purchase agreement with Salu Design Group Inc. ("Salu"), which is a private technology company based in Edmonton, Alberta. Pursuant to the agreement, the Company, subject to the terms and conditions, has agreed to purchase 19,254,619 common shares of Salu (approximately 70% of the issued and outstanding common shares of Salu) in exchange for the issuance of 3,000,000 common shares of the Company and 7,000,000 share purchase warrants of the Company, which is subject to Salu achieving specific revenue targets over a specified period of time. In addition, the Company has the option to acquire the remaining 30% equity interest of Salu in exchange for common shares of the Company and additional performance warrants, which will be determined at the time the Company exercises the option to purchase. The agreement is subject to specific conditions prior to closing, including but not limited to approval from TSX-V, audited financial statements of Salu to be presented to the Company for review, and the commitment from the Company to have a minimum of $420,000 of capital to finance the operations of Salu. As of the audit report date, the agreement is still subject to close. If the Company terminates the agreement prior to completion, the Company shall pay Salu a cancellation fee of $100,000.

(b) On August 31, 2020, the Company issued 376,000 common shares for proceeds of $56,400 pursuant to the exercise of share purchase warrants.