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# **NEXCO RESOURCES INC**

CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED  
FEBRUARY 29, 2020

*(Expressed in Canadian Dollars)*

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## **Notice of No Auditor Review of Condensed Interim Financial Statements**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim financial statements they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company for the six months ended February 29, 2020 have been prepared by and are the responsibility of the Company's management. The Company's external auditors have not performed a review of these condensed interim financial statements.

**NEXCO RESOURCES INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian dollars)

	February 29, 2020	August 31, 2019
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 185,161	\$ 235,396
Amounts receivable	8,945	6,772
	194,106	242,168
<b>Exploration and Evaluation Asset</b> (Note 5)	174,595	174,595
	\$ 368,701	\$ 416,763
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 7)	15,693	12,576
<b>Equity</b>		
Share Capital (Note 6)	875,394	875,394
Contributes surplus	315,827	315,827
Deficit	(838,213)	(787,034)
	353,008	404,187
	\$ 368,701	\$ 416,763

NATURE OF OPERATIONS (Note 1)

Approved and authorized for issue on behalf of the Board on April 29, 2020.

/s/ "Jeff Tindale" Director      /s/ "Brandon Rook" Director

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

**NEXCO RESOURCES INC.**  
**STATEMENTS OF COMPREHENSIVE LOSS**  
(Expressed in Canadian dollars)

	Three Months Ended February 29/28,		Six Months Ended February 29/28,	
	2020 \$	2019 \$	2020 \$	2019 \$
<b>General and administration</b>				
Consulting fees	3,000	18,000	6,000	53,500
Office and general	63	71	1,221	87
Professional fees	14,273	22,758	16,885	23,840
Rent	7,250	7,500	14,750	7,500
Transfer agent and filing fees	6,216	7,084	9,752	10,250
Travel	1,095	-	2,571	-
<b>Net and comprehensive loss</b>	<b>(31,897)</b>	<b>(55,413)</b>	<b>(51,179)</b>	<b>(95,177)</b>
<b>Basic and Diluted Loss Per Common Share</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.01)</b>
<b>Weighted Average Number of Common Shares Outstanding</b>	<b>18,428,000</b>	<b>10,428,000</b>	<b>18,428,000</b>	<b>10,428,000</b>

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

**NEXCO RESOURCES INC.**  
**STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in Canadian dollars)

**Six Months Ended February 28, 2019**

	<b>Common Shares</b>		<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Equity</b>
	<b># of Shares</b>	<b>Amount</b>			
<b>Balance, September 1, 2018</b>	10,428,000	\$ 540,344	\$ 293,821	\$ (649,827)	184,338
Net loss for the period	-	-	-	(95,177)	(95,177)
<b>Balance, February 28, 2019</b>	10,428,000	\$ 540,344	\$ 293,821	\$ (745,004)	89,161

**Six Months Ended February 29, 2020**

	<b>Common Shares</b>		<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Equity</b>
	<b># of Shares</b>	<b>Amount</b>			
<b>Balance, September 1, 2019</b>	18,428,000	\$ 875,394	\$ 315,827	\$ (787,034)	404,187
Net loss for the period	-	-	-	(51,179)	(51,179)
<b>Balance, February 29, 2020</b>	18,428,000	875,394	315,827	(838,213)	353,008

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

**NEXCO RESOURCES INC.**  
**STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian dollars)

	<b>Six Months Ended February 29/28</b>	
	<b>2020 \$</b>	<b>2019 \$</b>
<b>Cash Flows from Operating Activities</b>		
Net loss for the period	(51,179)	(95,177)
Changes in non-cash working capital items		
Increase in accounts receivable	(2,173)	(4,007)
Decrease in accounts payable and accrued liabilities	3,117	27,478
	(50,235)	(71,706)
<b>Cash Flows from Financing Activities</b>		
Proceeds from loan	-	25,000
<b>Change in Cash During the Period</b>	<b>(50,235)</b>	<b>(46,706)</b>
<b>Cash, Beginning of Period</b>	<b>235,396</b>	<b>58,092</b>
<b>Cash, End of Period</b>	<b>185,161</b>	<b>11,386</b>
<b>Cash Paid During the Period for Interest</b>	<b>-</b>	<b>-</b>
<b>Cash Paid During the Period for Income Taxes</b>	<b>-</b>	<b>-</b>

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**NEXCO RESOURCES INC.****Notes to the Unaudited Condensed Interim Financial Statements****For the six month period ended February 29, 2020**(Expressed in Canadian dollars)

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**1. NATURE OF OPERATIONS**

Nexco Resources Inc. ("the Company") was incorporated on December 14, 2012 under the laws of British Columbia. The address of the Company's corporate office and its principal place of business is suite 750-1095 W Pender Street, Vancouver, British Columbia, Canada. The Company's principal business activities include the acquisition and exploration of mineral property assets. As at February 29, 2020, the Company had not yet determined whether the Company's mineral property asset contains ore reserves that are economically recoverable. The recoverability of amount shown for exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the property or realizing proceeds from its disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

The Company had a deficit of \$838,213 as at February 29, 2020, which has been funded by the issuance of equity. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

**2. BASIS OF PRESENTATION**

These unaudited condensed interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"), and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended August 31, 2019, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies followed in these unaudited condensed interim financial statements are consistent with those applied in the Company's audited financial statements for the year ended August 31, 2019. The financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS**

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 and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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**NEXCO RESOURCES INC.****Notes to the Unaudited Condensed Interim Financial Statements****For the six month period ended February 29, 2020**(Expressed in Canadian dollars)

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**3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)**

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

*Significant accounting estimates*

- i. the assessment of indications of impairment of the mineral property and related determination of the net realizable value and write-down of the mineral property where applicable; and
- ii. the inputs used in accounting for share-based payments.

*Significant accounting judgments*

- i. the measurement of deferred income tax assets and liabilities;
- ii. the determination of categories of financial assets and financial liabilities; and
- iii. the evaluation of the Company's ability to continue as a going concern.

**4. SIGNIFICANT ACCOUNTING POLICIES**

*The accounting policies applied by the Company in these unaudited condensed interim financial statements are the same as those applied to the audited financial statements as at and for the year ended August 31, 2019 except as noted below.*

IFRS 16 – *Leases*: IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019. The Company adopted the standard on September 1, 2019 and there was no impact on these condensed interim financial statements.

IFRIC 23 - *Uncertainty over Income Tax Treatments* is interpretation that clarifies how to apply the recognition and measurement requirements in IAS 12 'Income Taxes' when there is uncertainty over tax treatments. The effective date for IFRIC 23 is for annual periods beginning on or after January 1, 2019. The Company adopted IFRIC 23 on September 1, 2019 and there was no impact on these condensed interim financial statements.

**5. EXPLORATION AND EVALUATION ASSET**

	<b>Acquisition costs</b>	<b>Exploration costs</b>	<b>Total</b>
	\$	\$	\$
Balance, August 31, 2017	30,250	162,208	192,458
BC mining tax credit	-	(17,863)	(17,863)
Balance, August 31, 2019 and February 29, 2020	30,250	144,345	174,595

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**NEXCO RESOURCES INC.****Notes to the Unaudited Condensed Interim Financial Statements****For the six month period ended February 29, 2020**(Expressed in Canadian dollars)

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## 5. EXPLORATION AND EVALUATION ASSET (continued)

**Berger Property**

Pursuant to an initial and amended option agreements (the "Agreement") dated August 21, 2014 and July 31, 2015, with the Optionor, the Company was granted an option to acquire a 100% undivided interest in the Berger Property (the "Property") which consists of 2 mining claims located in the Kamloops Mining District of British Columbia.

In accordance with the Agreement, the Company has acquired a 100% undivided interest in the Property by issuing a total of 100,000 common shares and making cash payment of \$12,000.

The Optionor will retain a 2% Net Smelter Returns ("NSR") royalty on the Property. The Company has the right to purchase the NSR at a purchase price of \$1,000,000 per percentage point during the 5 year period commencing from the date upon which the Property is put into commercial production.

## 6. SHARE CAPITAL

## a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value.

## b) Issued and Outstanding:

As at February 29, 2020 – 18,428,000 (August 31, 2019 – 18,428,000) common shares were issued and outstanding.

The Company did not have any share capital transactions for the six month period ended February 29, 2020.

## c) Financing

During the year ended August 31, 2019, the Company completed a non-brokered private placement (the "Private Placement") of units. The Company issued an aggregate of 8,000,000 units (each, a "Unit") in the capital of the Company at a purchase price of \$0.05 per Unit for gross proceeds of \$400,000. Each Unit consists of one common share (a "Common Share") of the Company and one Common Share purchase warrant (a "Warrant"). Each Warrant is exercisable to purchase an additional Common Share (a "Warrant Share") of the Company at an exercise price of \$0.10 per Warrant Share and expire three years from the date of issuance. In connection with the Private Placement, the Company paid a certain arm's length finder (the "Finder") a finder's fee of \$26,950 in cash, equal to 7% of the gross proceeds raised under the Private Placement from arms' length purchasers that were introduced to the Company by the Finder. Additionally, the Company issued 539,000 non-transferrable Common Share purchase warrants ("Finder's Warrants") exercisable to acquire 539,000 Common Shares (each, a "Finder's Share"), equal to 7% of the number of Units issued in the Private Placement to arms' length purchasers that were introduced to the Company by the Finder. Each Finder's Warrant has an exercise price of \$0.10 per Finder's Share and expires 3 years from the date of issuance.

The fair value of the agent warrants was \$22,006 and was estimated using the Black-Scholes pricing model with the following assumptions:

	<b>2019</b>
Risk free interest rate	1.62%
Expected life	3 years
Expected volatility	106%
Expected dividends	0%

**NEXCO RESOURCES INC.**  
**Notes to the Unaudited Condensed Interim Financial Statements**  
**For the six month period ended February 29, 2020**  
(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

d) Escrow shares:

The Company entered into an escrow agreement, whereby common shares will be held in escrow and are scheduled for release at 10% on the listing date (May 4, 2017) and 15% on every six month from date of listing. At February 29, 2020, there were 360,000 shares held in escrow.

e) Stock Option Plan:

The Company has adopted a 10% rolling incentive stock option plan, which provides that the Board of the Director may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company non-transferable options ("Options") to purchase up to 10% of the issued and outstanding common shares of the Company at the date of grant. In addition, no Options may be granted under the stock option plan if the number of common shares, calculated on a fully diluted basis, issued within 12 months to (i) related persons, exceeds 10% of the outstanding common shares of the Company, or (ii) a related person and the associates of the related person, exceeds 5% of the outstanding common shares of the Company.

During the six month period ended February 29, 2020 the Company did not grant any stock options.

The following table summarizes stock option transactions:

	Number of options	Weighted average exercise price \$
Outstanding, August 31, 2018	400,000	0.15
Cancelled	(200,000)	(0.15)
Outstanding, August 31, 2019	200,000	0.15
No Activity	-	-
Outstanding, February 29, 2020	200,000	0.15

The following table summarizes the stock options outstanding and exercisable as at February 29, 2020 is:

Exercise price	Number of options	Exercisable	Expiry date
\$ 0.15	200,000	200,000	May 4, 2022

The weighted average remaining useful life of outstanding options is approximately 2.2 years as at February 29, 2020.

f) Warrants:

During the six month period ended February 29, 2020 the Company did not issue any warrants.

During the year ended August 31, 2019, the Company issued 8,000,000 Warrants and 539,000 Finders Warrants. During the year ended August 31, 2019, 256,000 agent warrants expired unexercised.

**NEXCO RESOURCES INC.**  
**Notes to the Unaudited Condensed Interim Financial Statements**  
**For the six month period ended February 29, 2020**  
(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

The following table summarizes warrant transactions:

	Number of warrants	Weighted average exercise price
		\$
Outstanding, August 31, 2018 and 2017	256,000	0.15
Issued	8,539,000	0.10
Expired	(256,000)	(0.15)
Outstanding, August 31, 2019	8,539,000	0.10
No Activity	-	-
Outstanding, February 29, 2020	8,539,000	0.10

The following table summarizes the warrants outstanding and exercisable as at February 29, 2020:

Exercise price	Number of warrants	Exercisable	Expiry date
\$ 0.10	8,539,000	8,539,000	April 16, 2022

The weighted average remaining useful life of outstanding warrants is 2.1 years as at February 29, 2020.

7. RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

There were no related party transactions or amounts due to related parties during the six months ended February 29, 2020 or for the year ended August 31, 2019.

8. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its resource property. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, contributed surplus and deficit as capital. 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 or dispose of assets or adjust the amount of cash.

9. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

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**NEXCO RESOURCES INC.****Notes to the Unaudited Condensed Interim Financial Statements****For the six month period ended February 29, 2020**(Expressed in Canadian dollars)

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## 9. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (continued)

The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - 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 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**Fair Value of Financial Instruments**

The Company's financial assets include cash and are classified as Level 1. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

Assets measured at fair value on a recurring basis were presented on the Company's statements of financial position as at February 29, 2020 are as follows:

	<b>Fair Value Measurements Using</b>			
	<b>Quoted prices in active markets for identical instruments (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Total</b>
	\$	\$	\$	\$
Cash	185,161	-	-	185,161

**Fair value**

The fair value of the Company's financial instruments approximates their carrying value as at February 29, 2020 because of the demand nature or short-term maturity of these instruments.

**Financial risk management objectives and policies**

The Company's financial instruments include cash and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**(i) Currency risk**

The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada and current exposure to exchange rate fluctuations is minimal.

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**NEXCO RESOURCES INC.****Notes to the Unaudited Condensed Interim Financial Statements****For the six month period ended February 29, 2020**(Expressed in Canadian dollars)

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## 9. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (continued)

The Company does not have any significant foreign currency denominated monetary liabilities. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

*(ii) Interest rate risk*

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

*(iii) Credit risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places these instruments with a high quality financial institution.

*(iv) Liquidity risk*

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.