ACME LITHIUM INC.

(FORMERLY HAPUNA VENTURES INC.)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE THREE MONTHS ENDED DECEMBER 31, 2020 AND 2019

Notice of No Auditor Review of Interim Condensed Financial Statements

The accompanying unaudited interim condensed financial statements have been prepared by management and approved by the Audit Committee.

The Company's independent auditors have not performed a review of these interim condensed financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

February 23, 2021

ACME LITHIUM INC. (FORMERLY HAPUNA VENTURES INC.)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020 AND SEPTEMBER 30, 2020

(Expressed in Canadian dollars)

	Notes	December 31, 2020	September 30, 2020
ASSETS			
Current assets			
Cash and cash equivalents	3	**$ 416,094**	$ 2,907
Amounts receivable	4	**11,589**	2,035
Due from ACT360	10, 11	**-**	45,658
		427,683	50,600
Intangible assets	5	**-**	1
Exploration and evaluation properties	6	**53,000**	-
Total assets		**$ 480,683**	$ 50,601
			50,600
SHAREHOLDERS' EQUITY AND LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	11	**$ 8,253**	$ 437,633
Shareholder loan	10, 11	**-**	12,800
Due to Kona Bay	10, 11	**-**	225,385
Promissory note payable	7	**-**	379,601
		8,253	1,055,419
Shareholders' equity			
Share capital	8, 9	**981,538**	269,997
Reserves	8	**959**	-
Deficit		**(510,067)**	(1,274,815)
Total equity		**472,430**	(1,004,818)
Total shareholders' equity and liabilities		**$ 480,683**	$ 50,601

Subsequent events (Note 14)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS ON FEBRUARY 23, 2021

Vivian Katsuris, Director

Ioannis Tsitos, Director

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

(Expressed in Canadian dollars)

		Three months ended	
	Notes	**December 31, 2020**	December 31, 2019
Sales		**$ -**	$ 13,411
Expenses			
Accounting and legal		**22,577**	5,500
Advertising and promotion		**5,050**	11,261
Consulting	10	**6,244**	60,000
Interest expense		**278**	5,030
Management fees	10	**-**	15,000
Regulatory and filing fees	8	**23,140**	-
Selling, office and general		**2,690**	52
Wages and benefits		**-**	923
		(59,979)	(97,766)
Other items			
Other income, net	11	**824,728**	-
Net loss and comprehensive loss for the period		**$ 764,749**	$ (84,355)
Weighted average number of shares – basic		**5,983,095**	613,648
Weighted average number of shares – diluted		**8,103,397**	613,648
<u>Earnings (loss) per common share</u>			
Basic		**$ 0.13**	$ (0.14)
Basic and diluted		**$ 0.09**	$ (0.14)

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

ACME LITHIUM INC. (FORMERLY HAPUNA VENTURES INC.)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

FOR THE THREE MONTHS ENDED DECEMBER 31, 2020 AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

(Expressed in Canadian dollars)

	Number of shares[1]	Share capital	Reserves	Deficit	Total
Balances, September 30, 2019	613,628	269,997	-	(1,012,107)	(742,110)
Net loss and comprehensive loss for the year	-	-	-	84,355	84,355
Balances, December 31, 2019	**613,628**	**$ 269,997**	**$ -**	**$ (927,752)**	**$ (657,755)**
			-		
Balances, September 30, 2020	613,646	269,997	-	(1,274,816)	(1,004,819)
Shares issued for cash:					
Private placement	10,300,000	309,000	-	-	309,000
Amalgamation	13,350,001	400,500			400,500
Shares issued for mineral properties	100,000	3,000	-	-	3,000
Shares issued to finders	2,100,000	-	-	-	-
Finders' warrants	-	(959)	959	-	-
Net loss and comprehensive loss for the period	-	-	-	764,749	764,749
Balances, December 31, 2020	**26,463,647**	**$ 981,538**	**$ 959**	**$ (510,067)**	**$ 472,430**

[1]Shares were adjusted to reflect the share consolidation on November 23, 2020

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

ACME LITHIUM INC. (FORMERLY HAPUNA VENTURES INC.)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in Canadian dollars)

	Three months ended December 31,	
	2020	2019
OPERATING ACTIVITIES		
Net loss for the period	**$ 764,749**	$ (84,355)
Adjustments for:		
Interest on note payable	**-**	4,915
Gain on settlement of debt	**(824,728)**	-
Changes in non-cash working capital items		
Increase in amounts receivable	**(1,236)**	(5,215)
Increase (Decrease) in trade payables and accrued liabilities	**(185,099)**	80,345
Cash used in operating activities	**(246,314)**	(4,310)
INVESTING ACTIVITIES		
Sale of intangible asset	**1**	-
Exploration and evaluation property expenditures	**(50,000)**	-
Cash used in investing activities	**(49,999)**	-
FINANCING ACTIVITIES		
Proceeds from issuance of common shares	**709,500**	-
Shareholder loan	**-**	5,000
Cash provided by financing activities	**709,500**	5,000
Increase (decrease) in cash and cash equivalents	**413,187**	690
Cash and cash equivalents (bank indebtedness), beginning of period	**2,907**	(471)
Cash and cash equivalents, end of period	**$ 416,094**	$ 219

Supplemental cash flow information (Note 13)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

ACME Lithium Inc. (formerly Hapuna Ventures Inc.) (the "Company") was incorporated under the provisions of the Business Corporations Act of British Columbia on January 31, 2017, as a wholly-owned subsidiary of Kona Bay Technologies Inc. ("Kona Bay"). On November 23, 2020, the Company changed its name to ACME Lithium Inc.

Previously a technology company, the principal business of the Company is the identification, evaluation and acquisition of mineral properties, as well as exploration of those properties once acquired. The change in business is subject to acceptance of listing with the Canadian Securities Exchange. The address of the Company's corporate office and its principal place of business is 300 – 2015 Burrard Street Vancouver BC Canada V6J 3H4.

Pursuant to an Amalgamation Agreement (the "agreement") dated December 29, 2020 among the Company, 1281524 B.C. Ltd. ("Subco") and 1266291 B.C. Ltd. ("Fundco"):

(i) Subco and Fundco amalgamated;
(ii) the unit holders of Fundco received an equivalent number of Units of the Company; and
(iii) the amalgamated company became a wholly owned subsidiary of the Company.

Each unit consisted of one common share and one half share purchase warrant. Each full warrant entitles the holder to purchase one additional common share at $0.10 for a period of 24 months.

Fundco was established by the Company solely for the purpose of raising funds from at least 150 investors, and loaning the same to the Company pending closing of the Amalgamation. On closing of the Amalgamation, the former shareholders of Fundco held 13,350,000 common shares of the Company.

As at December 31, 2020, the Company has not yet determined whether the properties are economically recoverable. The recoverability of amounts shown for exploration and evaluation properties 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 future profitable production from the properties or realizing proceeds from their disposition.

The Company was formerly a technology company specializing in digital customer acquisition. Its customers were primarily higher education institutions that promote campus and online degree programs to consumers through digital media such as websites, mobile apps, social media networks and direct e-mail.

These financial statements have been prepared on a going concern basis, assuming that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. As at December 31, 2020, the Company had a deficit of $510,067 (September 30, 2020 - $1,274,816) and a working capital of $419,430 (September 30, 2020 – deficiency of $1,004,818).

The continuing operations of the Company are dependent upon obtaining, in the short term, the necessary financing to meet the Company's operating commitments as they come due and generating profitable operations in the future. These conditions indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Failure to continue as a going concern would require that assets and liabilities be recorded at their liquidation values, which might differ significantly from their carrying values. These financial statements do not include any adjustments relating to the recoverability and classification of the recoded asset amounts and classifications of liabilities that might be necessary should the Company be unable to continue in existence.

1. NATURE AND CONTINUANCE OF OPERATIONS (continued)

To the date of this report, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time.

Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. As a result, global stock markets have also experienced great volatility. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. As at the date of this report, the Company has not been significantly impacted by the spread of COVID-19. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

2. BASIS OF PREPARATION

a) Statement of compliance

The interim condensed consolidated financial statements (the "financial statements") of the Company, including comparative disclosure, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), and in accordance with the same accounting policies and methods of computation as compared with the most recent annual financial statements, being for the year ended September 30, 2020.

These financial statements were approved and authorized for issue in accordance with a resolution from the Board of Directors on February 23, 2021.

b) Basis of Measurement

These financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are set out in Note 3. The financial statements are presented in Canadian dollars unless otherwise stated.

c) Presentation and Functional Currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Critical accounting judgments, estimates and assumptions – The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Critical judgments in applying accounting policies:

Critical Judgments

Going concern of operations

Management has made the determination that the Company will continue as a going concern for the following year.

Intangible assets

The application of the Company's accounting policy for intangible assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an intangible asset is capitalized, information becomes available suggesting that the recovery of the value of the asset is unlikely, the amount capitalized is written off to profit or loss in the period the new information becomes available.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

Deferred income taxes

The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

Foreign currency translation – The functional and presentation currency of the Company is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Revenues and expenses are translated at the exchange rates prevailing on the dates of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

Cash and cash equivalents - The Company considers deposits with banks or highly liquid short-term interest-bearing securities that are readily convertible to known amounts of cash and those that have maturities of three months or less when acquired to be cash equivalents. At December 31, 2020 the Company had amounts held in trust classified as cash equivalent.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets - Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of operations and comprehensive loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of operations and comprehensive loss when the asset is derecognized.

A summary of the policies applied to the Company's intangible assets is as follows:

	Customer Relationships – Online Advertising	**Online Advertising Leads Database**
Useful lives	Finite	Finite
Amortization method used	Amortized on a straight-line basis over three years	Amortized on a straight-line basis over three years

Exploration and evaluation properties - All expenditures related to acquisition, exploration and development of exploration and evaluation properties ("E&E assets") are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against projected income using the units of production method over estimated recoverable reserves. Management annually assesses carrying values of properties for which events and circumstances may indicate possible impairment.

Impairment of a property is generally considered to have occurred if (1) the property has been abandoned; (2) there are unfavorable changes in the property economics; (3) there are restrictions on development; or (4) when there has been an undue delay in development. In the event that estimated discounted cash flows expected from its use or eventual disposition is determined by management to be insufficient to recover the carrying value of the property, the carrying value is written down to its estimated recoverable amount.

The recoverability of exploration and evaluation properties and exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether its future exploration and evaluation property contains economically recoverable reserves. Amounts capitalized to exploration and evaluation properties as exploration and development costs do not necessarily reflect present or future values.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share issuance costs - Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred share issuance costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issuance costs are charged to share capital when the related shares are issued. Deferred share issuance costs related to financing transactions that are not completed are charged to expenses.

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

The Company provides for income taxes using the liability method of tax allocation. Under this method deferred income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities and are measured using enacted or substantially enacted tax rates expected to apply when these differences reverse. Deferred income tax assets are recognized to the extent that management has determined it is probable to be realized.

Revenue recognition - The Company used a single model for recognizing revenue from contracts with customers. Revenue was recognized at a point in time or over time in a manner that depicts the transfer of promise goods or services to a customer and at an amount that reflects the expected consideration receivable in exchange for transferring those goods or services. The Company did not recognize any revenue during the period ended December 31, 2020.

Share-based payments - The Company records all share-based payments at their fair value. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is charged to reserves. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based payments.

The share-based payments costs are charged to operations over the stock option vesting period. Agents' options and warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options expected to vest. On the exercise of stock options and agents' options and warrants, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus.

Earnings (Loss) per share - The Company uses the treasury stock method in computing earnings (loss) per share. Under this method, basic earnings (loss) per share is computed by dividing earnings (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated by adjusting the weighted average number of common shares outstanding using the treasury stock method, to reflect the potential dilution of securities that could result from the exercise of in-the-money stock options and warrants. For the years presented, the existence of stock options affects the calculation of loss per share on a fully diluted basis.

Development costs – Development costs are expensed as incurred, except in cases where development costs meet certain identifiable criteria for deferral. The Company has not capitalized any product development costs during the period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

i. those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and,
ii. those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial instruments are classified and measured at either:

i. Amortized cost;
ii. FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
iii. FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified. Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

Classification

The Company's financial assets consists of cash, which is classified and measured at FVTPL, and amounts receivable and due from related party which are measured at amortized cost using the effective interest method. The Company's financial liabilities consist of accounts payable and accrued liabilities, shareholder loan, due to related party and promissory note payable, which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in net loss.

Impairment

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, and reasonable and supportable forward-looking information.

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Assets carried at amortized cost. If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

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 to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

4. AMOUNTS RECEIVABLE

The Company's accounts receivable at December 31, 2020 and September 30, 2020 arises from Goods and Services Tax ("GST") due from Canada Revenue Agency.

5. INTANGIBLE ASSETS

	Customer Relationships - Online Advertising	Online Advertising Leads Database	Total
COST			
September 30, 2018	**$ 108,000**	**$ 217,000**	**$ 325,000**
IMPAIRMENT			
September 30, 2018, 2019 and 2020	**(108,000)**	**(216,999)**	**(324,999)**
SALE			
Three months ended December 31, 2020	**-**	**(1)**	**(1)**
Total, December 31, 2020	**$ -**	**$ -**	**$ -**

Customer Relationships

Customer relationships consisted of relationships with various post-secondary education institutions, with online advertising services provided by the Company to recruit students to these institutions.

Online Advertising Leads Database

The Company's online advertising leads database consisted of personal information collected from potential student leads during the online advertising process.

Revenue relating to these assets had decreased significantly over the last three fiscal years and the Company was economically dependent on two customers. Given that management was not in a position to be able to estimate the future cash flows attributable to the customer relationships and online advertising leads database with any degree of certainty, the value of the intangible assets was written down to a nominal amount of $1 at September 30, 2018.

On December 19, 2020, the Company disposed of its digital customer acquisition business to an arm's length purchaser in consideration of the sum of $1 and the purchaser assuming all outstanding obligations.

(Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION PROPERTIES

The Company's exploration and evaluation properties expenditures for the three months ended December 31, 2020 are as follows:

	FLV Property	Total
ACQUISITION COSTS		
Balance, September 30, 2020	$ -	$ -
Additions	53,000	53,000
Balance, December 31, 2020	**$ 53,000**	**$ 53,000**

FLV Property

On November 9, 2020 the Company entered into a mineral property purchase and sale agreement (the "FLV agreement") with an arm's length party whereby it acquired certain mining claims located in Esmeralda County, Nevada, USA.

Under the terms of the FLV agreement, the vendor's right, title and interest in the FLV claims was purchased in consideration of $50,000 and the issuance of 100,000 common shares of the Company valued at $3,000 to the vendor. The claims consist of 81 lode mining claims spanning approximately 1620 acres.

As at December 31, 2020, the Company has paid $50,000 (September 30, 2020 – nil) in acquisition costs for the FLV property. Subsequent to December 31, 2020, the Company issued 100,000 shares to the arm's length party (Note 14).

7. PROMISSORY NOTE PAYABLE

	December 31, 2020	September 30, 2020
Principal	$ 325,000	$ 325,000
Accrued interest	54,601	54,601
Settlement of debt	(379,601)	-
Total	**$ -**	**$ 379,601**

The Company had a promissory note payable to ACT360 in the principal amount of $325,000 with an original maturity date of December 13, 2020. Interest was accruing daily at 6% per annum from the date of issue, payable on a semi-annual basis commencing on June 13, 2018. The promissory note may be negotiated, assigned, discounted or pledged by ACT360. ACT360 assigned the promissory note to Kona Bay retrospectively during June 2020. Accrued interest payable accumulated since June 13, 2018 had not been paid.

On October 15, 2020, the Company entered into a debt settlement agreement (Note 11) with Kona Bay whereby the all principal and interest amounts were settled for the aggregate sum of $80,000. As such, the Company settled the principal balance of $325,000 and the accrued interest balance of $54,601 for a total settlement of $379,601 for the promissory note.

7. PROMISSORY NOTE PAYABLE (continued)

As at December 31, 2020, the fair value of the promissory note payable was nil (September 30, 2020 – $379,601). Fair value prior to the settlement was determined using an income approach. An income approach is a present value technique that takes into account the future cash flows that would be expected to be received from holding the promissory note as an asset. Present value was calculated using the following attributes – semi-annual interest payments of $9,750, repayment of $325,000 principal at maturity, number of months to maturity and a discount rate of 6% discounted annually.

8. SHARE CAPITAL

The Company has authorized share capital of an unlimited number of common shares and preferred shares without par value. Common and/or preferred shares are entitled to receive dividends if and when they are declared by the Board of Directors.

On November 23, 2020, the Company completed a 7:1 share consolidation of its common shares. All common share and per share amounts in these financial statements are retroactively presented on a post-share consolidation basis, including the number and exercise price of all share warrants.

Private Placement Financing

On November 27, 2020 the Company closed a private placement of 10,300,000 units at a price of $0.03 per unit for gross proceeds of $309,000. Each unit consisted of one common share and one half-warrant. Each full warrant is exercisable at $0.10 for one common share until November 27, 2022. In connection with the private placement, the Company issued 490,000 common shares as finders fees and paid $1,438 in filing fees.

Amalgamation

On December 30, 2020 and pursuant to the Amalgamation Agreement (Note 1), the Company issued 13,350,000 units in exchange for the same number of units in Fundco at a price of $0.03 per unit for gross proceeds of $400,500. Each unit consisted of one common share and one-half share purchase warrant. Each full warrant entitles the holder to purchase one additional common share at $0.10 for a period of 24 months. In connection with the issuance, the Company issued 1,610,000 common shares in exchange for an equivalent number of shares in Fundco, which were issued as finder's fees in connection with the unit issuance. In addition, the Company issued 150,000 finder's warrants valued at $959.

During the year ended September 30, 2020, the Company did not have any capital transactions.

(Expressed in Canadian dollars)

9. WARRANTS

A summary of changes in the Company's share purchase warrants outstanding as at December 31, 2020 and September 30, 2020 is as follows:

	December 31, 2020		September 30, 2020	
	Number of warrants[1]	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
Outstanding, beginning of period	**142,857**	**$ 0.70**	273,333	$ 0.70
Granted	**11,825,000**	**0.10**	-	-
Expired	**-**	**-**	(130,476)	0.70
Outstanding, end of period	**11,967,857**	**$ 0.11**	142,857	$ 0.70

The following table summarizes information regarding share purchase warrants outstanding as at December 31, 2020 and September 30, 2020:

Date issued	**Number of warrants***	**Exercise price ($)**	**Expiry date**	**Weighted average remaining life**
September 25, 2018	142,857	$ 0.70	February 21, 2023	0.03
November 27, 2020	5,150,000	0.10	November 27, 2022	0.82
December 29, 2020	150,000	0.10	October 9, 2022	0.02
December 30, 2020	6,525,000	0.10	November 27, 2022	1.04
	11,967,857	**$ 0.11**		**1.91**

Share purchase warrant transactions during the three months ended December 31, 2020 are explained as follows:

- On November 27, 2020, the Company granted 5,150,000 share purchase warrants in connection with a private placement. Each warrant entitles the holder to acquire one common share at $0.10 for a period of 24 months.

- On December 30, 2020, the Company granted 6,675,000 share purchase warrants pursuant to the amalgamation which includes 150,000 finders warrants. Each warrant entitles the holder to acquire one common share at $0.10 for a period of 24 months. The fair value of the finders warrants amounting to $959 were estimated on their grant date using the Black-Scholes pricing model with the following assumptions: volatility rate of 100%, risk-free rate of 0.21%, dividend yield of 0% and weighted average life of 1.78 years. The fair value of these finders warrants is recorded as share issuance costs against share capital.

Share purchase warrant transactions during the year ended September 30, 2020 are explained as follows:

- On November 2, 2019, a total of 116,190 share purchase warrants expired unexercised.

- On August 7, 2020, a total of 14,286 share purchase warrants expired unexercised.

(Expressed in Canadian dollars)

10. RELATED PARTY TRANSACTIONS

The Company has identified its directors and certain senior officers as its key personnel and the compensation costs for key personnel and companies related to them were recorded at their exchange amounts as agreed upon by transacting parties.

The remuneration of the Company's directors and other key management was as follows during the periods ended December 31, 2020 and 2019:

Three months ended	**December 31, 2020**	December 31, 2019
Consulting fees	**$** -	$ 30,000
Management fees	-	923
Accounting fees	-	300
Total related party expenses by type	**$** -	$ 31,223

(a) Consulting fees of $Nil (2019 - $30,000) were paid or accrued to a current director and former CEO of the Company.

(b) Management salary of $Nil (2019 - $923) was allocated by ACT360 with respect to the Company's former VP of Development.

(c) Accounting fees of $Nil (September 30, 2019 - $300) were paid or accrued to a company controlled by the former Chief Financial Officer of the Company.

As at December 31, 2020, there was a nil balance owing (September 30, 2020 - $204,750) to key management personnel for fees and expenses and the amounts were included in accounts payable. The balance on year end September 30, 2020 was extinguished by a debt settlement agreement that occurred during the three months ended December 31, 2020 in which a total of $991,078 of debt was settled.

On December 15, 2017, the Company entered into a Management Administrative Services Agreement (the "MASA") with Kona Bay for the purpose of providing certain management and administrative services to the Company. Pursuant to the MASA:

a. The Company will pay a monthly service fee that will be reviewed and mutually agreed upon prior to the start of each fiscal year on October 1st;
b. The MASA terminated on September 30, 2019. The arrangement had subsequently been on a month-to-month basis until discontinuation during the three months ended December 31, 2020.
c. For the three months end December 31, 2020 and 2019, the monthly service fee would range from $4,000 to $8,000 commensurate with corporate activity.
d. $95,000 would be paid as reimbursement for the arrangement spin-out expenses.

As at December 31, 2020, the Company owed nil (September 30, 2020 - $225,385) to Kona Bay. The balance due to Kona Bay consisted of expenses incurred by Kona Bay on behalf of the Company.

The balance due from ACT360 at December 31, 2020 was nil (September 30, 2020 - $45,658). Previously, this balance consists of revenue collected by ACT360 from the Company's clients on the Company's behalf, net of expenses incurred by ACT360 on the Company's behalf. These balances were unsecured, non-interest bearing and had no specific terms of repayment. This balance was settled in accordance with the debt settlement agreement. ACT360 is a company related through common control.

(Expressed in Canadian dollars)

11. SETTLEMENT OF DEBT

During the period ended December 31, 2020 the Company entered into a series of debt settlement agreements (the "agreements") to extinguish certain of the Company's payable and receivable balances with related parties. The Company paid a total of $166,350 to settle $991,078 in debt and payables, resulting in a gain on settlement of $824,728. The total debt and settlement for each party is as follows:

	Total Debt	Settlement Amount	Gain on Settlement
Former CEO	$ 217,550	$ 43,510	$ 174,040
Former Consultant	214,200	42,840	171,360
Kona Bay	559,328	80,000	479,328
	$ 991,078	**$ 166,350**	**$ 824,728**

12. CAPITAL MANAGEMENT

The Company's capital currently consists of common shares of $269,997. The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern, meet financial obligations, have sufficient capital to achieve and maintain profitable operations and to provide returns for shareholders and benefits for other stakeholders. As at December 31, 2020, the Company had a working capital of $419,430 (September 30, 2020 – deficiency of $1,004,818). Management expects to raise additional capital as part of the process of obtaining a listing on a major Canadian stock exchange, or pursuant to a private placement of securities.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies, and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

General Objectives, Policies, and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk.

Foreign Currency Risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and United States dollar or other foreign currencies will affect the Company's operations and financial results. The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company has not entered into any foreign currency contracts to mitigate this risk.

The Company holds no balances in United States dollars which could give rise to exposure to foreign exchange risk. The Company did not have any trade accounts receivable balances in United States dollars as of December 31, 2020 and September 30, 2020 and has no sensitivity to a plus or minus 10% change in the foreign exchange rate of the United States dollar to the Canadian dollar that would affect the reported loss and comprehensive loss.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and cash equivalents and accounts receivable. Cash and cash equivalents are maintained with financial institutions of reputable credit and may be redeemed upon demand. The Company considers this risk to be minimal as of December 31, 2020.

The Company has no gross credit exposure and no credit risk at December 31, 2020 relating to trade accounts receivable.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meets its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. They key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

The Company's objective is to ensure that it has sufficient cash on demand to meet expected operational expenses. To achieve this objective, the Company will prepare annual capital expenditure budgets which will be regularly monitored and updated as necessary. The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other accounts payable.

(Expressed in Canadian dollars)

13. SUPPLEMENTAL CASH FLOW INFORMATION

The Company incurred the following non-cash investing and financing transactions during the six months ended December 31, 2020 and 2019:

Three-month period ended	**December 31, 2020**	December 31, 2019
Non-cash financing activities:		
Fair value of warrants issued	**$ 959**	$ -
Non-cash investing activities:		
Shares issued for exploration and evaluations assets	**$ 3,000**	$ -