ACME LITHIUM INC.

(FORMERLY HAPUNA VENTURES INC.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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		$ 416,094	$ 2,907
GST receivable		3,272	2,035
Due from ACT360	9, 10	-	45,658
		419,366	50,600
Intangible asset	4	-	1
Exploration and evaluation assets	5	50,000	-
Total assets		$ 469,366	$ 50,601
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	$ 8,251	$ 437,633
Shareholder loan	9, 10	-	12,800
Due to Kona Bay	9, 10	-	225,385
Promissory note payable	6, 10	-	379,601
		8,251	1,055,419
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	7, 8	578,997	269,997
Shares to be issued	7	448,800	-
Deficit		(566,682)	(1,274,815)
		461,115	(1,004,818)
Total liabilities and shareholders' equity (deficiency)		$ 469,366	$ 50,601

Nature and continuation of operations (Note 1)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS ON APRIL 5, 2021

/s/ Vivian Katsuris
Vivian Katsuris, Director

/s/ Ioannis Tsitos
Ioannis Tsitos, Director

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

FOR THE THREE MONTHS ENDED DECEMBER 31, 2020 AND 2019

(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	9	**6,244**	60,000
Interest expense	6	**4,049**	5,030
Management fees	9	**-**	15,000
Regulatory and filing fees		**23,140**	-
Selling, office and general		**2,968**	52
Wages and benefits		**-**	923
		(64,028)	(97,766)
Amalgamation expense	7	**48,300**	
Gain on settlement of debt	10	**874,435**	-
Write-off of due from ACT360	10	**(45,658)**	-
Write-off of GST receivable	10	**(8,316)**	-
Net income (loss) and comprehensive income (loss) for the period		**$ 708,133**	$ (84,355)
Weighted average number of shares – basic		**4,601,237**	613,648
Weighted average number of shares – diluted		**5,259,094**	-
<u>Earnings (loss) per common share</u>			
Basic		**$ 0.15**	$ (0.14)
Diluted		**$ 0.13**	$ -

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

ACME LITHIUM INC. (FORMERLY HAPUNA VENTURES INC.)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (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	Shares to be issued	Deficit	Total
Balance, September 30, 2019	613,628	$ 269,997	$ -	$ (1,012,107)	$ (742,110)
Loss for the period	-	-	-	(84,355)	(84,355)
Balance, December 31, 2019	613,628	269,997	-	(1,096,462)	(826,465)
			-		
Balance, September 30, 2020	**613,646**	**269,997**	**-**	**(1,274,815)**	**(1,004,818)**
Shares issued for cash:					
Private placement	10,300,000	309,000	-	-	309,000
Shares issued as finders fees (Note 7)	490,000	14,700	-	-	14,700
Shares issuance costs (Note 7)	-	(14,700)	-	-	(14,700)
Shares to be issued (Note 7)	-	-	448,800	-	448,800
Income for the period	-	-	-	708,133	708,133
Balance, December 31, 2020	**11,403,646**	**$ 578,997**	**$ 448,800**	**$ (566,682)**	**$ 461,115**

[1]Shares were adjusted to reflect the share consolidation of 7:1 on November 23, 2020

The accompanying notes are an integral part of these condensed interim consolidated 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		
Loss for the period	**$ 708,133**	$ (84,355)
Adjustments for:		
Amalgamation expense	**48,300**	-
Interest on note payable	**4,049**	5,030
Gain on settlement of debt	**(874,435)**	-
Write-off of due from ACT360	**45,658**	-
Write-off of GST receivable	**8,316**	-
Changes in non-cash working capital items:		
GST receivable	**(1,237)**	(5,215)
Accounts payables and accrued liabilities	**(92,298)**	80,230
Net cash used in operating activities	**(153,514)**	(4,310)
INVESTING ACTIVITIES		
Sale of intangible asset	**1**	-
Exploration and evaluation asset expenditures	**(50,000)**	-
Net cash used in investing activities	**(49,999)**	-
FINANCING ACTIVITIES		
Proceeds from issuance of common shares (Note 7)	**309,000**	-
Proceeds from shares to be issued (Note 7)	**358,500**	-
Shareholder loan (Note 10)	**(12,800)**	5,000
Proceeds from loan payable (Note 7)	**42,000**	-
Repayment of due to Kona Bay (Note 10)	**(80,000)**	-
Net cash provided by financing activities	**616,700**	5,000
Increase in cash in the period	**413,187**	690
Cash (bank indebtedness), beginning of period	**2,907**	(471)
Cash, end of period	**$ 416,094**	$ 219

Supplemental cash flow information (Note 13)

The accompanying notes are an integral part of these condensed interim consolidated 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 February 28, 2017, the Company entered into an Arrangement Agreement (the "Agreement") with Kona Bay, ACT360 Media Ltd. ("ACT360") and Bexar Ventures Inc. ("Bexar") for the purposes of carrying out a corporate restructuring by way of a Plan of Arrangement (the "Arrangement" or the "POA") pursuant to Section 288 of the Business Corporations Act (British Columbia).

On December 13, 2017, the POA closed and the online advertising assets were transferred to the Company by Kona Bay and ACT360, and 4,761,199 common shares of the Company were issued to Kona Bay.

On November 23, 2020, the Company changed its name to ACME Lithium Inc. and changed its principal business from technology to the identification of exploration and evaluation assets. 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.

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

On December 29, 2020, the Company entered into an Amalgamation Agreement (the "Amalgamation Agreement") with 1281524 B.C. Ltd. ("Subco") and 1266291 B.C. Ltd. ("Fundco") which closed on December 30, 2020. Pursuant to the Amalgamation Agreement, the following occurred:

(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 consists 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 (Note 7).

These condensed interim consolidated 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 $566,682 (September 30, 2020 - $1,274,815) and a working capital of $411,115 (September 30, 2020 – deficiency of $1,004,819).

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

These condensed interim consolidated financial statements (the “financial statements”) 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 April 5, 2021.

b) Basis of Measurement

These financial statements have been prepared on a historical cost basis, except for certain financial instruments, classified as financial instruments at fair value through profit or loss which are stated at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

c) Basis of consolidation

These financial statements include the accounts of the Company, which is incorporated under the laws of British Columbia, and its wholly owned subsidiaries, 1281524 B.C. Ltd. and 1266291 B.C. Ltd. All significant intercompany balances and transactions have been eliminated upon consolidation.

d) Presentation and Functional Currency

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

2. BASIS OF PREPARATION (continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of these financial statements is based on accounting principles and practices consistent with those used in the preparation of the audited annual consolidated financial statements as at September 30, 2020. These unaudited condensed interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2020.

New accounting policies adopted in the period

Exploration and evaluation assets- 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.

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

4. INTANGIBLE ASSETS

The Company was formerly a technology company specializing in digital customer acquisition. Its customers were primarily higher education institutions that promoted campus and online degree programs to consumers through digital media such as websites, mobile apps, social media networks and direct e-mail. The Company utilized an online advertising leads database which was acquired during the year ended September 30, 2018. The database was subsequently impaired and written down to $1.

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.

5. EXPLORATION AND EVALUATION ASSETS

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

	FLV Property	Total
ACQUISITION COSTS		
Balance, September 30, 2020 and 2019	$ -	$ -
Additions	**50,000**	**50,000**
Balance, December 31, 2020	**$ 50,000**	**$ 50,000**

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

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 by paying consideration of $50,000 (paid) and by issuing 100,000 common shares.

Subsequent to December 31, 2020, the Company issued 100,000 common shares with a fair value of $3,000 to the arm's length party.

6. PROMISSORY NOTE PAYABLE

	December 31, 2020	September 30, 2020
Principal	$ 325,000	$ 325,000
Accrued interest	58,650	54,601
Settlement of debt	(383,650)	-
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.

The fair value of the promissory note 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. During the period ended December 31, 2020, the Company recognized interest expense of $4,049 (2019 - $5,030) on the promissory note.

On October 15, 2020, the Company entered into a debt settlement agreement with Kona Bay whereby the principal and interest amounts of the promissory note payable were forgiven by Kona Bay (Note 10).

(Expressed in Canadian dollars)

7. 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 with a fair value of $14,700 as finders fees and paid $1,438 in filing fees.

Amalgamation

On December 30, 2020 the Company closed the Amalgamation Agreement (Note 1). As per the Amalgamation Agreement, the Company is to issue 13,350,000 units in exchange for the issued and outstanding common share of Fundco at a price of $0.03 per unit. Each unit consists 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 transaction, the Company will also issue 1,610,000 common shares as finder's fees with a fair value of $0.03 per share. A breakdown of the transaction is as follows:

		December 31, 2020
Consideration		
Common shares (13,350,000 units)	$	400,500
Finders fees (1,610,000 common shares)		48,300
		448,800
Assets acquired		
Cash		358,500
Loan receivable		42,000
		400,500
Amalgamation expense	**$**	**48,300**

During the period ended December 31, 2020, the Company received a working capital advance of $42,000 from Fundco in advance of closing the Amalgamation Agreement. On the closing of the transaction, the loan payable balance on the Company's books was offset with the loan receivable acquired.

As at December 31, 2020 the Company had not yet issued the common shares and recorded a commitment to issue shares of $448,800. The common shares were issued subsequent to period end in January 2021.

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

(Expressed in Canadian dollars)

8. 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	**5,150,000**	**0.10**	-	-
Expired	**-**	**-**	(130,476)	0.70
Outstanding, end of period	**5,292,857**	**$ 0.12**	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	2.14
November 27, 2020	5,150,000	0.10	November 27, 2022	1.91
	5,292,857	**$ 0.12**		**1.91**

(Expressed in Canadian dollars)

9. 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	-	4,500
Total related party expenses by type	**$ -**	$ 35,423

(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 (2019 - $4,500) 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 $995,126 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)

10. SETTLEMENT OF DEBT

During the period ended December 31, 2020 the Company entered into a series of debt settlement agreements to extinguish certain of the Company's accounts payable and accrued liabilities and loan balances with related parties. The Company paid a total of $166,350 to settle $418,950 in accounts payables and accrued liabilities, $225,385 due to Kona Bay, the $12,800 shareholder loan and the $383,650 promissory note payable, resulting in a gain on settlement of $874,435. 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	609,035	80,000	529,035
	$ 1,040,785	**$ 166,350**	**$ 874,435**

Concurrent with the debt settlement, the Company wrote-off the balance due from ACT360 of $45,658 and GST receivables of $8,316 related to certain accrued expenditures.

11. CAPITAL MANAGEMENT

The Company's capital currently consists of common shares of $578,997. 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 $411,114 (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.

12. 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)

Fair value of financial instruments

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

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

- Level 2 – Quoted prices in markets that are not active, or inputs that are not observable, either directly or indirectly, for substantially the full term of the asset or liability.

- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The fair value of the Company’s financial instruments approximates their carrying values due to their short term to maturity. The fair value of cash is based on level 1 inputs of the fair value hierarchy.

Risk Management

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 consists of cash. Cash is maintained with a financial institution with reputable credit and may be redeemed upon demand. The Company considers this risk to be minimal as of December 31, 2020.

(Expressed in Canadian dollars)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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.

13. SUPPLEMENTAL CASH FLOW INFORMATION

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

Three-month period ended	**December 31, 2020**	December 31, 2019
Non-cash financing activities:		
Share issued for finder's fee	**$ 14,700**	$ -