

GREAT OAK ENTERPRISES LTD.

(FORMERLY: 10557633 CANADA CORP.)

Unaudited Interim Financial Statements

As at and for the three months ended

March 31, 2020 and 2019

(Stated in \$CAD)

GREAT OAK ENTERPRISES LTD.**(FORMERLY 10557633 CANADA CORP.)****Statement of Financial Position****Unaudited – prepared by Management*****(Stated in \$CAD)***

<i>As at</i>	Mar 31, 2020	Dec 31, 2019
ASSETS		
Current:		
Cash	\$ 22,005	\$ 34,728
Accounts receivable (Note 9)	6,877	5,420
Total current assets	28,882	40,148
Long term:		
Enviro Resources Limited LOI (Note 4)	1	1
	\$ 28,883	\$ 40,149
LIABILITIES		
Current:		
Accounts payable and accrued liabilities (Note 10)	3,000	4,000
	\$ 3,000	\$ 4,000
SHAREHOLDERS' EQUITY		
Common shares (Note 5)	\$ 124,951	\$ 124,951
Reserve for warrants (Note 5)	1,050	1,050.00
Accumulated deficit	(100,118)	(89,852)
	\$ 25,883	\$ 36,149
	\$ 28,883	\$ 40,149

Going concern (Note 1)**Subsequent events** (Note 13)*The accompanying notes form an integral part of these unaudited interim financial statements*

Approved on behalf of the Board:

"Stephen Coates" Director

GREAT OAK ENTERPRISES LTD
(FORMERLY 10557633 CANADA CORP.)
Statement of Net Loss and Comprehensive Loss
Unaudited – prepared by Management
(Stated in \$CAD)

	Three months ended	
	Mar 31, 2020	Mar 31, 2019
Administrative expenses		
Management fees (Note 11)	\$ 8,250	\$ 8,250
Regulatory expenses	972	960
Professional fees	1,000	150
Office and general	44	46
Total administrative expenses	\$ 10,266	\$ 9,406
Total expenses	\$ (10,266)	\$ (9,406)
Net loss and comprehensive loss	\$ (10,266)	\$ (9,406)
Basic and diluted loss per share (Note 6)	\$ (0.002)	\$ (0.004)

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

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GREAT OAK ENTERPRISES LTD.
(FORMERLY 10557633 CANADA CORP.)
Statement of Changes in Equity
(Unaudited – prepared by Management)
(Stated in \$CAD)

	Note	Common shares	Warrant s	Accumulated deficit	Total	
		No. of shares	Amount			
			\$	\$	\$	
As at December 31, 2018		2,919,996	21,001	-	(47,161)	(26,160)
Net loss and comprehensive loss for period					(9,406)	(9,406)
As at March 31 2019		2,919,996	21,001	-	(56,567)	(35,566)
Conversion of preferred shares	5.2(c)	2,100,000	105,000	-	-	105,000
Issuance of warrants	5.2(c)	-	(1,050)	1,050	-	-
Net loss and comprehensive loss for period					(33,285)	(33,285)
As at December 31, 2019		5,019,996	124,951	1,050	(89,852)	36,149
Net loss and comprehensive loss for period					(10,266)	(10,266)
As at March 31, 2020		5,019,996	124,951	2,100	(100,118)	25,883

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

GREAT OAK ENTERPRISES LTD.

(FORMERLY 10557633 CANADA CORP.)

Statement of Cash Flows

(Unaudited – prepared by Management)

(Stated in \$CAD)

	Three months ended	
	Mar 31, 2020	Mar 31, 2019
Operating activities		
Net Loss for period	\$ (10,266)	\$ (9,406)
Adjustment to reconcile net loss to cash flow from operating activities:		
Change in non-cash working capital items		
Accounts receivable	(1,457)	(1,737)
Accounts payable and accrued liability	(1,000)	(2,621)
Cash used for operations	\$ (12,723)	\$ (13,764)
Increase (decrease) in cash	\$ (12,723)	\$ (13,764)
Cash, beginning of period	34,728	79,657
Cash, end of period	\$ 22,005	\$ 65,893
Non-cash transaction		

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

GREAT OAK ENTERPRISES LTD.

(FORMERLY 10557633 CANADA CORP.)

Notes to Unaudited Interim Financial Statements

Three months ended March 31, 2020 and 2019

(Stated in \$CAD)

1. NATURE OF OPERATIONS AND GOING CONCERN

(a) Nature of operations

Great Oak Enterprises Ltd. (formerly 10557633 Canada Corp.) (the "Company" or "Great Oak") was incorporated on December 27, 2017 under the Canada Business Corporations Act with its head office located at 401 Bay Street, Suite #2100, Toronto, Ontario, Canada, M5H 2Y4. The Company, as a reporting issuer in the provinces of British Columbia, Alberta and Manitoba, is subject to the rules and regulations of the relative provincial securities commissions, but its shares do not trade on any stock exchange.

The Company has no current active business operations and its principal purpose is the identification and evaluation of assets or businesses for the purpose of completing a transaction ("Qualifying Transaction") such that the Company's shares can be approved for listing and trading on a recognized Canadian stock exchange. Where a Qualifying Transaction is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon its ability to obtain additional financing. There is no assurance that the Company will be able to complete a Qualifying Transaction or that it will be able to secure the necessary financing to complete a Qualifying Transaction.

Under the terms of a Plan of Arrangement approved by the Ontario Superior Court of Justice on March 26, 2018, the Company acquired substantially all the rights and interests in a Letter of Intent ("LOI") between Telferscot Resources Inc. ("Telferscot") and Enviro Resources Limited ("ERL") (*see note 4*). As consideration for acquisition of this LOI, Great Oak issued 2,499,996 common shares to Telferscot, which were then distributed to the current shareholders of Telferscot pro-rata based on their relative shareholdings of Telferscot.

(b) Going concern

The accompanying unaudited interim financial statements ("Financial Statements") have been prepared using International Financial Reporting Standards applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern. It would, in this situation, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying Financial Statements. Such adjustments could be material.

GREAT OAK ENTERPRISES LTD.

(FORMERLY 10557633 CANADA CORP.)

Notes to Unaudited Interim Financial Statements

Three months ended March 31, 2020 and 2019

(Stated in \$CAD)

1. NATURE OF OPERATIONS AND GOING CONCERN, CONTINUED

As at March 31, 2020, the Company has no source of operating cash flow and had an accumulated deficit of \$100,118 (December 31, 2019 - \$89,852). Net comprehensive loss for the three months ended March 31, 2020 was \$10,266 (2019 - \$9,406). The Company had a working capital of \$25,883 as at March 31, 2020 (December 31, 2019 – deficiency of \$26,161). These conditions raise material uncertainties which cast significant doubt as to whether the Company will be able to continue as a going concern.

These Financial Statements have been prepared on a going concern basis, which presumes realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company's ability to continue as a going concern, namely its ability to generate sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period, is dependent upon its ability to arrange future financing, which is largely dependent upon prevailing capital market conditions, the completion of further anticipated private placements after the end of the reporting period, continued support of its shareholder base and completion of a Qualifying Transaction. These Financial Statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The policies applied in these Financial Statements are based on the IFRS issued and outstanding as of May 27, 2020, being the date, the Board of Directors approved the Financial Statements.

(b) Basis of measurement

The Financial Statements have been prepared on a historical cost basis, with the exception of certain financial assets and liabilities which are measured at fair-value, as explained in the accounting policies.

(c) Functional and presentation currency

The Financial Statements are presented in Canadian dollars, which is also the functional currency of the corporate offices located in Canada.

(d) Cash

Cash consists of deposits held with banks.

GREAT OAK ENTERPRISES LTD.

(FORMERLY 10557633 CANADA CORP.)

Notes to Unaudited Interim Financial Statements

Three months ended March 31, 2020 and 2019

(Stated in \$CAD)

2. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(e) Accounts receivable

Accounts receivable consist primarily of recoverable HST ITCs.

(f) Accounts payable and accrued liabilities

These amounts represent liabilities for goods and services provided to the Company prior to the end of the reporting period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period end. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

(g) Share capital

Common and preferred shares issued in exchange for goods and services are recorded at an amount based on the fair market value of the common or preferred shares just prior to the date of issuance. Common shares issued in private placements, in conjunction with common share purchase warrants, are recorded whereby the fair value of warrants is determined using the Black-Scholes option pricing model and allocated to warrants while the proceeds of the private placement less the fair value of warrants and any issuance expenses are allocated to the common shares.

Preferred shares which are redeemable at the holder's option are presented as a current liability.

(h) Share-based payments

The fair value of any share-based payment granted to directors, officers, employees and consultants is recorded over the vesting period of the award as an expense or a component of property, plant and equipment based on the nature of the services for which it was awarded with a corresponding increase recorded to contributed surplus. Share-based payments for directors, officers and employees are valued at the grant date whereas consultants' share-based payments are valued as the goods and services are received from the recipient. If the fair value of the goods and services received cannot be estimated reliably the Black-Scholes pricing model is used. Fair value of stock options for directors, officers and employees is determined using the Black-Scholes option pricing model utilizing management's assumptions as described in note 6. Fair value of share-based payments for consultants is determined based on the fair value of the goods and services received and requires management to make estimates of the value of the goods and services received. Upon exercise of a share option, consideration paid by the share option together with the amount previously recognized in reserve for share-based payments is recorded as an increase to share capital. For those share-based payments that expire or are forfeited after vesting, the recorded value is transferred to deficit.

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Notes to Unaudited Interim Financial Statements

Three months ended March 31, 2020 and 2019

(Stated in \$CAD)

2. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(i) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Income tax is recognized in profit or loss except to the extent it relates to items recognized in equity, in which case the income tax is also recognized in equity. Current tax assets and liabilities are recognized at the amount expected to be paid or received from tax authorities using rates enacted or substantively enacted at the date of the statement of financial position.

Deferred tax is accounted for using the liability method, providing for the tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their respective tax bases.

A deferred tax liability is recognized for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred income tax asset is recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and losses can be utilized, except where the deferred income tax asset related to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is measured on an undiscounted basis using the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rates and tax laws enacted or substantively enacted at the statement of financial position date. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(j) Loss per share

Basic loss per share amounts are calculated by dividing net loss for the reporting period attributable to common shareholders by the weighted average number of common shares outstanding during the period.

Diluted loss per share amounts are calculated by dividing the net earnings attributable to common shareholders by the weighted average number of shares outstanding during the reporting period plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares into common shares. Diluted loss per share amounts are not presented if anti-dilutive.

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(Stated in \$CAD)

(k) **Critical accounting estimates and judgements**

The preparation of these Financial Statements requires the Company to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates and assumptions affect the Company's reported amounts of assets, liabilities, revenues and other items in net earnings, and the related disclosure of contingent assets and liabilities, if any. The Company evaluates its estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that the Company believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of revenues and other items in net earnings that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Information about critical judgements in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statement are discussed below:

Going concern

The assessment of the Company's ability to continue as a going concern involves judgement regarding future funding available for its planned RTO and working capital requirements.

Use of estimates

The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows. Significant estimates include the valuation of common share purchase warrants and share options using the Black-Scholes pricing model conditions and the fair value of the common shares issued pursuant to the Plan of Arrangement (see note 4).

GREAT OAK ENTERPRISES LTD.

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Notes to Unaudited Interim Financial Statements

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(Stated in \$CAD)

2. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(1) Financial instruments

Recognition

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

Classification and Measurement

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:

- those to be measured subsequently at fair value, either through profit or loss (“FVTPL”) or through other comprehensive income (“FVTOCI”); and,
- 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).

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(Stated in \$CAD)

2. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

- amortized cost;
- 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,
- 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 FVTPL are expensed in profit or loss.

The Company's financial assets consist of cash and accounts receivable, which are classified and subsequently measured at amortized cost. The Company's financial liabilities consist of accounts payable and accrued liabilities and redeemable preferred shares which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in profit or loss.

Fair value

The determination of the fair value of financial assets and liabilities, for which there is no observable market price, requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective as such it requires varying degrees of judgment. The use of judgment in valuing financial instruments includes assessing qualitative factors such as liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the particular instrument.

GREAT OAK ENTERPRISES LTD.

(FORMERLY 10557633 CANADA CORP.)

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(Stated in \$CAD)

2. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs derived either directly or indirectly from market prices. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted market prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted market prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Impairment of financial assets

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

Effective interest method

The effective interest method calculates the amortized cost of a financial instrument asset or liability and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset or liability, or where appropriate, a shorter period. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

GREAT OAK ENTERPRISES LTD.

(FORMERLY 10557633 CANADA CORP.)

Notes to Unaudited Interim Financial Statements

Three months ended March 31, 2020 and 2019

(Stated in \$CAD)

3. RECENTLY ADOPTED and Issued ACCOUNTING PRONOUNCEMENTS

- (a) **IFRS 16 "Leases"** was issued by the IASB in January 2016 and will ultimately replace IAS 17, "Leases" and related interpretations. The new standard will be effective for fiscal years beginning on or after January 1, 2019, with early adoption permitted provided the Company has adopted IFRS 15, Revenue from Contracts with Customers. The new standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all leases contracts, and record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria. If the Company has significant contractual obligations in the form of operating leases under IAS 17, there will be a material increase to both assets and liabilities on adoption of IFRS 16, and material changes to the timing of recognition of expenses associated with the lease arrangements. The new amendments have been adopted by the Company and have not had a significant impact on these Financial Statements.
- (b) **IFRS 23 "Uncertainty over Income Tax Treatments"**; this is a new standard clarifying the accounting for uncertainties over income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on January 1, 2019. The new amendments have been adopted by the Company and have not had a significant impact on these Financial Statements.
- (c) **IFRS 3**; In October 2018, the IASB issued amendments to IFRS 3 "Definition of a Business" The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment provides an assessment framework to determine when a series of integrated activities is not a business. The amendments are effective for business combinations occurring on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The Company is currently evaluating the potential impact of these amendments on the Company's Financial Statements.
- (d) **IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted. The Company is currently evaluating the potential impact of these amendments on the Company's Financial Statements.

GREAT OAK ENTERPRISES LTD.

(FORMERLY 10557633 CANADA CORP.)

Notes to Unaudited Interim Financial Statements

Three months ended March 31, 2020 and 2019

(Stated in \$CAD)

4. ENVIRO RESOURCES LIMITED LETTER OF INTENT

Under the terms of a Plan of Arrangement approved by the Ontario Superior Court of Justice on March 26, 2018, the Company acquired substantially all the rights and interests in a Letter of Intent ("LOI") between Telferscot and ERL, and accordingly would assume the position of Telferscot with respect to the LOI. As consideration for its acquisition, Great Oak issued 2,499,996 common shares to Telferscot, which were then distributed to the current shareholders of Telferscot pro-rata based on their relative shareholdings of Telferscot (*see note 5(b)*). The LOI has been assigned a nominal value of \$1.

	December 31, 2019	December 31, 2018
Enviro Resources Limited LOI \$	1	1

Telferscot had previously signed with ERL to cooperate with ERL on the acquisition and development of environmentally beneficial consumer and commercial products. ERL has acquired and progressed and commercialized products in this sector over the past 5 years and is looking for a strategic partner to fund new opportunities. Following completion of the Plan of Arrangement, Great Oak will acquire the right of first refusal to fund ERL products and acquisitions.

GREAT OAK ENTERPRISES LTD.

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Notes to Unaudited Interim Financial Statements

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(Stated in \$CAD)

5. SHARE CAPITAL

1) Authorized

The Company is authorized to issue an unlimited number of common shares and an unlimited number of first preferred shares issuable in series by the directors. The common shares are without nominal or par value and may carry rights, privileges, priorities, limitations, conditions and restrictions according to the class their issued at including receiving dividends and voting rights.

The First Preferred Shares shall be entitled to preference over the common shares of the Company and over any other shares of the Company ranking junior to the First Preferred Shares with respect to payment of dividends and return of capital and in the distribution of assets in the event of liquidation, dissolution or wind-up of the Company.

2) Issued and outstanding

Continuity schedules for the Company's share capital and other equity instruments are disclosed in the statements of changes in shareholders' equity for the period from December 27, 2017 (date of incorporation) to March 31, 2020. The equity transactions in this period are detailed below:

- (a) The Company was incorporated on December 27, 2017. The initial common share issued to the incorporator has been cancelled.
- (b) As a result of the court approval of the Plan of Arrangement on March 26, 2018, Great Oak issued 2,499,996 common shares to Telferscot as consideration for the acquisition of the LOI with ERL (*see note 4*). These common shares were issued on April 5, 2018, and in turn, distributed to the current shareholders of Telferscot pro-rata based on their relative shareholdings of Telferscot on April 12, 2018.
- (c) On June 18, 2018, the Company closed a non-brokered private placement offering of 105,000 units of the Company priced at \$1.20 per unit for aggregate gross proceeds of \$126,000. Each unit issued by the Company is comprised of the following:
 - (i) 4 common shares valued at \$0.05 per share for total consideration of \$0.20
 - (ii) 1 convertible preferred share valued at \$1.00 each, with the following primary terms:
 - shares are non-voting
 - each preferred share is redeemable by the holder at \$1.00 per share
 - for a period of 10 months from closing, each preferred share is convertible into 20 common shares and 20 common share purchase warrants to buy 1 common share per warrant at a price of \$0.05 per warrant for a period up to 1 year from closing.

On April 18, 2019, 105,000 preferred shares were converted into 2,100,000 common shares of the Company and 2,100,000 common share purchase warrants, for no additional consideration. The warrants carry an exercise price of \$0.05 per share for a period of one year from issuance. The fair value of the warrants was estimated on the date of issuance using the Black-Scholes model at \$1,050 and was allocated to warrants reserves.

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Notes to Unaudited Interim Financial Statements

Three months ended March 31, 2020 and 2019

(Stated in \$CAD)

5. SHARE CAPITAL, CONTINUED

3) Warrants

A summary of warrant activity is as follows:

A summary of warrant activity for the years ended .. is as follows:

	No. of warrants	Weighted average
		\$
Balance, January 1, 2019	-	-
Issued	2,100,000	0.050
Expired	-	-
Balance, December 31, 2019 and March 31, 2020	2,100,000	0.050

The outstanding issued warrants balance at March 31, 2020, is comprised of the following:

Date of expiry	Type	Number	Weighted average exercise price \$	Weighted average years remaining Years	Fair value \$
April 18, 2020	Warrant	2,100,000	0.050	0.05	1,050
		2,100,000	0.05	0.05	1,050

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(Stated in \$CAD)

5. SHARE CAPITAL, CONTINUED

The fair value of warrants was estimated on the date of issuance using the Black-Scholes model:

	Warrants issued on	April 19, 2019
Number of warrants issued		21,000,000
Weighted average information:		
Stock price	\$	0.005
Exercise price	\$	0.050
Expected life (years)		1.0
Expected volatility		150%
Discount rate		3.50%
Expected dividends		Nil
Fair value	\$	1,050

4) Share-based payments

The Company has a stock option plan pursuant to which options to purchase common shares may be granted to executive officers, directors, employees and consultants. The plan allows for the issuance of up to 10% of the issued and outstanding common shares. As at March 31, 2020, the Company has not issued any options under the stock option plan and accordingly had 502,000 options available for issuance.

Additionally, the Company issued 500,000 options to contractors outside the Company's stock option plan noted above. The options carry an exercise price of \$0.05 per share for a period of up to 36 months from the issuance date of July 5, 2018. The options shall be subject to a vesting period where of 50% of the options will vest on or after July 15, 2018 and the remaining 50% will 6 months after the first vesting date. Both vesting provisions are subject to the completion of a binding or definitive agreement for an acquisition or transaction that will qualify the Company to seek a public listing on a recognized exchange. The fair value of the options was estimated on the date of grant using the Black-Scholes model at \$20,300 but has not been recognized as an expense on the basis the vesting conditions were not achieved.

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Notes to Unaudited Interim Financial Statements
Three months ended March 31, 2020 and 2019
(Stated in \$CAD)

5. **SHARE CAPITAL, CONTINUED**

A continuity of the outstanding options to purchase common shares is as follows:

	Weighted average exercise price	Number of options
	\$	
Outstanding at December 31, 2018	-	-
Transactions during the period:		
Granted	0.05	500,000
Expired	-	-
Forfeited	-	-
Outstanding at December 31, 2019 and March 31, 2020	0.05	500,000

The following table provides additional information about outstanding stock options as at March 31, 2020:

Expiry date	Number exercisable	Number outstanding	Weighted average exercise price	Weighted average years remaining	Fair value
			\$		\$
July 4, 2021	-	500,000	0.05	1.26	20,300
	-	500,000	0.05	1.26	20,300

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5 SHARE CAPITAL, CONTINUED

The fair value of stock options was estimated on the date of grant using the Black-Scholes model. The following assumptions were used:

	Options issued in	
	2018	
	\$	
Number of options issued	500,000	
Weighted average information:		
Stock price	\$	0.050
Exercise price	\$	0.050
Expected life (years)	3	
Expected volatility	150%	
Discount rate	2.13%	
Vesting	0%	
Expected dividends	Nil	
Fair value (total)	\$	20,300
Fair value (this period)	\$	-

The Company did not issue any stock options in the current year.

6. LOSS PER SHARE

The following table sets forth the computation of basic and diluted loss per share:

	Three months ended	
	Mar 31, 2020	Mar 31, 2019
Numerator:	\$	\$
Loss for the period	(10,266)	(9,406)
Denominator:		
Weighted average number of common shares	4,392,873	2,499,966
Basic and diluted loss per share	\$	\$
	(0.002)	(0.004)

As at March 31, 2020, the following potentially dilutive equity instruments were outstanding: (1) 2,100,000 warrants (2019 – nil) and (2) 500,000 stock options (2019 – 500,000). The outstanding convertible securities were not included in the computation of diluted loss per share as their inclusion would be anti-dilutive.

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7. FINANCIAL RISK FACTORS

The Company's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. These amounts are recognized initially at fair value and subsequently measured at amortized cost. The fair value of these amounts approximates their carrying value due to their demand or short-term nature.

The Company's activities expose it to a variety of financial risks, including credit risk and liquidity risk. Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

a. Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable, which consists of refundable HST ITCs. As at March 31, 2020, cash of \$22,005 (December 31, 2019 - \$34,728) was held with reputable financial institutions from which management believes the risk of loss to be minimal.

b. Liquidity risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due or can only do so at excessive cost (*see note 1*). The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2020, the Company had working capital of \$25,882 (December 31, 2019 – \$36,148). All the Company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms.

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8. CAPITAL MANAGEMENT

The Company's objective when managing capital is to maintain adequate levels of funding to maintain head office corporate and administrative functions. The Company considers its capital to be its shareholders' equity. The Company manages its capital structure in an effort to provide sufficient funding for its development projects. Funds are primarily secured through equity capital raised by way of private placements and exercise of warrants and/or stock options.

There can be no assurances that the Company will be able to continue raising equity capital in this manner. The Company's Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements.

9. ACCOUNTS RECEIVABLE

The Company's accounts receivable consist of harmonized services tax ("HST") recoverable from the Canadian government taxation authorities. At March 31, 2020 HST amounted to \$5,420 (December 31, 2019 - \$5,233).

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities are principally comprised of amounts outstanding for trade purchases relating to operating and financing activities.

The following is an analysis of the trade payables and accrued liabilities balances as at March 31, 2020 and December 31, 2019:

	March 31, 2020	December 31, 2019
Accrued liability	3,000	4,000
Accounts payable and accrued liabilities	\$ 3,000	4,000

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11. RELATED PARTY TRANSACTIONS

The Company is billed a monthly fee of \$2,000 (plus applicable HST) by a company controlled by a director for management and administrative services, including the corporate secretary, the services of the CFO, office rent and regular administrative functions. The fees were increased to \$2,750 per month as of August 1, 2018. During the three months ended March 31, 2020, the Company incurred total fees of \$8,250 (2019 - \$8,250).

Additionally, on July 5, 2018, the Company issued an aggregate of 500,000 stock options to the same company as part of their compensation. The options are exercisable at \$0.05 each for a period of up to 3 years from the date of issuance and are vested in two tranches during the first 12 months under certain conditions (see note 6) The total fair value of the options was estimated to be \$20,300 but none of the options has vested as at March 31, 2020 and thus the fair value has not been recognized as an expense.

12. SUBSEQUENT EVENTS

Since January, 2020, the outbreak of the novel strain of coronavirus, specifically identified as ‘COVID-19’, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposing quarantine period and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown currently, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation and its operating subsidiaries in future period.