CRYSTAL BRIDGE ENTERPRISES INC.
(A Capital Pool Company)

Financial Statements

For the years ended July 31, 2020 and 2019
(Expressed in Canadian Dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Crystal Bridge Enterprises Inc.

Opinion

We have audited the financial statements of Crystal Bridge Enterprises Inc. (the "Company"), which comprise the statements of financial position as at July 31, 2020 and 2019, and the statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management's Discussion and Analysis to be filed with the relevant Canadian securities commissions. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Fernando J. Costa.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
October 21, 2020

CRYSTAL BRIDGE ENTERPRISES INC.
(A Capital Pool Company)
Statements of Financial Position
(Expressed in Canadian Dollars)

	July 31, 2020	July 31, 2019
	$	$
ASSETS		
Current		
Cash (Note 3)	800,480	871,332
Prepaid expenses	10,155	2,730
TOTAL ASSETS	**810,635**	**874,062**
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 4)	38,269	44,172
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	931,017	925,116
Reserves (Note 6)	69,813	49,179
Accumulated deficit	(228,464)	(144,405)
	772,366	829,890
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**810,635**	**874,062**

Nature and continuance of operations (Note 1)

On behalf of the Board of Directors:

“Rajeev Bakshi”	“Kenneth Hallat”
Director, CEO	Director

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

CRYSTAL BRIDGE ENTERPRISES INC.
(A Capital Pool Company)
Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	For the years ended July 31, 2020	2019
	$	**$**
EXPENSES		
Advertising and promotion	194	407
Insurance	9,225	9,000
Office and general	1,185	1,936
Professional fees (Note 7)	47,972	46,217
Registrar and filing fees	13,855	12,352
Share based compensation (Note 7)	20,634	56,222
Travel and related	1,943	3,477
	(95,008)	(129,611)
Interest income	10,949	10,679
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	**(84,059)**	**(118,932)**
BASIC AND DILUTED LOSS PER SHARE	(0.01)	(0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	7,270,000	5,873,205

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

CRYSTAL BRIDGE ENTERPRISES INC.
(A Capital Pool Company)
Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the years ended July 31, 2020	2019
	$	**$**
OPERATING ACTIVITIES		
Net loss for the year	(84,059)	(118,932)
Adjustments for non-cash items:		
Share based compensation	20,634	56,222
Changes in non-cash working capital items:		
Prepaid expenses	(7,425)	4,020
Accounts payable and accrued liabilities	(5,903)	11,197
Cash used in operating activities	(76,753)	(47,493)
FINANCING ACTIVITIES		
Proceeds from share issuances	-	702,000
Share issuance costs	5,901	(110,140)
Cash provided by financing activities	5,901	591,860
NET CHANGE IN CASH	(70,852)	544,367
CASH, BEGINNING OF YEAR	871,332	326,965
CASH, END OF YEAR	**800,480**	**871,332**
Supplemental Cash Flow Information:		
Interest paid in cash	-	-
Income taxes paid in cash	-	-
Non-cash transactions:		
Reclassification of options cancelled	-	16,787
Warrants issued for share issuance costs	-	9,744

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

CRYSTAL BRIDGE ENTERPRISES INC.
(A Capital Pool Company)
Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

			Reserves					
	Number of Shares Issued	**Share Capital**	**Warrants**	**Share Options**	**Total**	**Share Subscriptions Received**	**Accumulated Deficit**	**Total Shareholders' Equity**
		$	**$**	**$**	**$**	**$**	**$**	**$**
Balance, July 31, 2018	**3,160,000**	**158,000**	**-**	**-**	**-**	**185,000**	**(42,260)**	**300,740**
Proceeds from share issuances	8,550,000	887,000	-	-	-	(185,000)	-	702,000
Share issuance costs	-	(119,884)	9,744	-	9,744	-	-	(110,140)
Share-based compensation	-	-	-	56,222	56,222	-	-	56,222
Stock options cancelled	-	-	-	(16,787)	(16,787)	-	16,787	-
Comprehensive loss for the year	-	-	-	-	-	-	(118,932)	(118,932)
Balance, July 31, 2019	**11,710,000**	**925,116**	**9,744**	**39,435**	**49,179**	**-**	**(144,405)**	**829,890**
Share issuance costs recovery	-	5,901	-	-	-	-	-	5,901
Share-based compensation	-	-	-	20,634	20,634	-	-	20,634
Comprehensive loss for the year	-	-	-	-	-	-	(84,059)	(84,059)
Balance, July 31, 2020	**11,710,000**	**931,017**	**9,744**	**60,069**	**69,813**	**-**	**(228,464)**	**772,366**

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Crystal Bridge Enterprises Inc. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on November 15, 2017. On September 18, 2018, the Company completed its Initial Public Offering (the "Offering") to be classified as a Capital Pool Company ("CPC") as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. On September 21, 2018, the Company began trading its shares on the TSX-V under the trading symbol "CRYS". The principal business of the Company is the identification and evaluation of assets or a business and, once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities (the "Qualifying Transaction" ("QT")).

The Company's head office, principal address and registered and records office is located at 439 Helmcken Street, Vancouver, British Columbia, Canada, V6B 2E6.

These financial statements have been prepared with the assumption 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. The Company has not generated any revenues to date and is currently unable to self-finance any future operations. The Company's continuing operations, as intended, are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses. Such a transaction will be subject to regulatory approval and may be subject to shareholder approval. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these financial statements, adjustments would be necessary to the statement of financial position classifications used. Such adjustments could be material.

The Company has not generated revenues from its operations to date and as at July 31, 2020, had a deficit of $228,464 (2019 - $144,405) which has been primarily financed by equity. Its continued existence will be dependent on equity financing on terms which are acceptable to the Company.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The Company's operations have not been drastically impacted by the pandemic. Management of the Company continues to monitor the situation and is following the protocols and rules set in place by the provincial and federal governments.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these financial statements.

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 interpretations of the IFRS Interpretations Committee ("IFRIC"). These financial statements are authorized for issuance by the Board of Directors on October 21, 2020.

Basis of presentation

These financial statements of the Company have been prepared on an accrual basis and are based on historical costs, except for certain financial assets and liabilities that are measured at fair value. The financial statements are presented in Canadian dollars unless otherwise noted.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income (“FVOCI”); or (iii) fair value through profit or loss (“FVTPL”). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash is measured at FVTPL.

Impairment

An ‘expected credit loss’ impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) at amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable are classified at amortized cost.

As at July 31, 2020 and 2019, the Company did not have any derivative financial liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant estimates and judgments

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. These financial statements do not include any accounts that require significant estimates as the basis for determining the stated amounts.

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.
- The valuation of share-based compensation, where the Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation and other equity based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.
- The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood or 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.

Income taxes

Current income tax:
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:
Deferred income tax is based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The following is the accounting policy for leases as of August 1, 2019 upon adoption of IFRS 16:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in private placements is determined to be the more easily measurable component as they are valued at their fair value which is determined by the closing price on the issuance date. The remaining balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded to reserves. If the warrants expire unexercised, the value attributed to the warrants is transferred to share capital.

Share-based compensation

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods using the graded vesting method. 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 recorded to the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

The Company transfers the value of cancelled and expired unexercised vested stock options and compensatory warrants to deficit or share capital from reserves on the date of expiration, based on the nature of the item.

Changes in accounting standard

The Company has adopted the following accounting standard effective August 1, 2019, which had no significant impact on the financial statements:

- IFRIC 23 – Uncertainty Over Income Tax Treatments
- IFRS 16 - Leases

Accounting pronouncements not yet adopted

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. The Company did not identify any standards that may have any impact on the Company’s financial statements during the year.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company’s financial statements.

3. CASH

	2020	**2019**
	$	**$**
Cash	785,845	869,634
Cash held in trust	14,635	1,698
	800,480	**871,332**

(Expressed in Canadian Dollars)

4. ACCOUNTS PAYABLE

	2020	2019
	$	$
Trade accounts payable	17,390	28,688
Accrued liabilities	20,879	15,484
	38,269	**44,172**

5. SHARE CAPITAL

Authorized Share Capital

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

Issued Shares

During the year ended July 31, 2020:

There was no share issuance activity.

During the year ended July 31, 2019:

On September 18, 2018, the Company completed its Initial Public Offering ("IPO") of 2,000,000 common shares at a price of $0.10 per common share for gross proceeds of $200,000 pursuant to a prospectus dated August 31, 2018. The Company's agent engaged in connection with the IPO was paid a commission of $16,000, a corporate finance fee of $10,500, and reimbursed for its expenses of $13,929 incurred in connection with the IPO. The Company also granted 160,000 non-transferable warrants to its agents with an exercise price of $0.10 per share for a period of 24 months. The agents' warrants were valued at $9,744.

On September 18, 2018, the Company completed a non-brokered private placement of 3,350,000 common shares at a price of $0.10 per share for gross proceeds of $335,000.

On November 5, 2018, the Company completed a private placement of 3,200,000 common shares at a price of $0.11 per share for gross proceeds of $352,000. The Company's agent engaged in connection with the private placement was paid a commission of $28,160 and reimbursed for its expenses of $6,000 incurred in connection with the private placement.

The Company also incurred $35,551 for legal expenses that were included in share issuance costs in relation to the IPO and private placements during the year.

Escrow Shares

As at July 31, 2020, the Company has 4,440,000 shares subject to escrow restrictions. The escrowed shares will be released from escrow in tranches over 36 months from the Company completing a QT.

(Expressed in Canadian Dollars)

5. SHARE CAPITAL (continued)

Basic and Diluted Loss per Share

The calculation of basic and diluted loss per share for the year ended July 31, 2020 was based on the loss attributable to common shareholders of $84,059 (2019 – $118,932) and the weighted average number of common shares outstanding of 7,270,000 (2019 – 5,873,205).

Diluted loss per share for the year ended July 31, 2020 did not include the effect of 4,440,000 (2019 – 4,440,000) escrowed shares which are contingently returnable, or the 850,000 (2019 – 850,000) outstanding stock options and 160,000 (2019 – 160,000) outstanding warrants as the effect would be anti-dilutive.

6. RESERVES

Stock Options

The Company ratified a Stock Option Plan for its directors, officers, employees and consultants under which the Board of Directors of the Company may grant non-transferable stock options totalling in aggregate up to 10% of the Company's issued and outstanding common shares, exercisable for a period of up to ten years from the date of grant, and at an exercise price which is not less than that permitted by the TSX-V.

In September 2018, the Company granted 850,000 stock options to directors and officers of the Company at an exercise price of $0.10 per option for a period of five years, vesting as follows: 1/4th on the date of grant, 1/4th on the first anniversary, 1/4th on the second anniversary, and 1/4th on the third anniversary. The stock options were valued at $71,315, of which $35,083 was recognized during the year ended July 31, 2019 and $13,321 was recognized during the year ended July 31, 2020, estimated using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk free interest rate of 2.32%, volatility of 100%, and nil forecasted dividend yields.

In July 2019, the Company granted 200,000 stock options to directors of the Company at an exercise price of $0.10 per option for a period of five years, vesting with the same schedule as options granted in September 2018. The stock options were valued at $14,100, of which $4,352 was recognized during the year ended July 31, 2019 and $7,313 was recognized during the year ended July 31, 2020, estimated using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk free interest rate of 1.46%, volatility of 100%, and nil forecasted dividend yields.

A summary of the stock option activities is as follows:

	Number of options	Weighted average exercise price
		$
Balance, July 31, 2018	**-**	**-**
Granted	1,050,000	0.10
Cancelled	(200,000)	0.10
Balance, July 31, 2019 and 2020	**850,000**	**0.10**

A summary of the stock options outstanding and exercisable at July 31, 2020 is as follows:

Exercise price	Number outstanding	Number exercisable	Expiry date
$			
0.10	*850,000	416,667	September 21, 2023

*75,000 stock options were cancelled subsequent to July 31, 2020.

The weighted average life of the outstanding stock options is 3.15 years.

(Expressed in Canadian Dollars)

6. RESERVES (continued)

Warrants

On September 21, 2018, 160,000 agents' warrants were issued in connection with the IPO. Each agents' warrant entitles the holder to purchase one common share of the Company at a price of $0.10 for a period of two years from closing. The warrants were valued at $9,744 estimated using the Black-Scholes pricing model with the following assumptions: estimated life of two years, risk free interest rate of 2.19%, volatility of 100%, and nil forecasted dividend yield.

A summary of share purchase warrant activities is as follows:

	Number of warrants	Weighted average exercise price
		$
Balance, July 31, 2018	**-**	**-**
Issued	160,000	0.10
Balance, July 31, 2019 and 2020	**160,000**	**0.10**

A summary of the warrants outstanding and exercisable at July 31, 2020 is as follows:

Exercise price	Number outstanding	Expiry date
$		
0.10	*160,000	September 21, 2020

*160,000 warrants expired unexercised subsequent to July 31, 2020.

The weighted average life of the outstanding warrants is 0.15 years.

7. RELATED PARTY TRANSACTIONS AND BALANCES

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including directors (executive and non-executive) of the Company. The Company considers its officers and directors to be its key management personnel.

Summary of key management personnel compensation:

	2020	2019
	$	$
Professional fees	6,299	22,617
Share based compensation	20,302	56,222
	26,601	**78,839**

As at July 31, 2020, $295 (2019 – $3,779) was included in accounts payable and accrued liabilities owing to officers, directors, and companies controlled by officers and directors of the Company for expense reimbursements.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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 for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's accounts payable approximates its carrying value. The Company's other financial instrument, being cash, is measured at fair value using Level 1 inputs.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(a) **Credit risk:**
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash account. Cash accounts are held with major banks in Canada. The Company has deposited its cash with a bank from which management believes the risk of loss is low.

(b) **Liquidity risk:**
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due. Accounts payable are due within the current operating period. The Company has a sufficient cash balance to settle current liabilities.

(c) **Market risk:**
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is not exposed to market risk.

(d) **Interest rate risk:**
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk, from time to time, on its cash balances. Surplus cash, if any, is placed on call with financial institutions and management actively negotiates favorable market related interest rates.

(Expressed in Canadian Dollars)

9. CAPITAL DISCLOSURE AND MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the completion of a Qualifying Transaction as defined in TSX-V Policy 2.4. Therefore, the Company monitors the level of risk incurred in its expenditures relative to its capital structure.

The Company considers its capital structure to include shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the potential underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favorable terms and approved by the TSX-V.

As a CPC, the Company will be subject to externally imposed capital requirements as outlined in the TSX-V Policy 2.4 and summarized below:

(a) No salary, consulting, management fees or similar remuneration of any kind may be paid directly or indirectly to a related party of the Company or a related party of a QT;

(b) Gross proceeds realized from the sale of all securities issued by a CPC may only be used to identify and evaluate assets or businesses and obtain shareholder approval for a QT;

(c) No more than the lesser of $210,000 and 30% of the gross proceeds from the sale of securities issued by a CPC may be used for purposes other than to identify and evaluate a QT;

(d) After the completion of its IPO and until the completion of a QT, a CPC may not issue any securities unless written acceptance of the TSX-V is obtained before the issuance of the securities.

There were no changes in the Company's approach to capital management during the year ended July 31, 2020.

10. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	For the year ended July 31, 2020	For the year ended July 31, 2019
	$	$
Loss before income taxes	(84,059)	(118,932)
Combined Canadian federal and provincial statutory rate	27%	27%
Expected income tax recovery	(22,700)	(32,100)
Permanent differences and others	6,900	(14,600)
Change in unrecognized deferred income tax asset	15,800	46,700
Income tax recovery	-	-

There are no deferred tax assets or liabilities presented in the statement of financial position.

This potential future tax benefit has not been recognized in these financial statements since the Company cannot be assured that it is probable that such benefit will be utilized in future years.

(Expressed in Canadian Dollars)

10. INCOME TAXES (continued)

The Company's tax-effected deferred income tax assets and liabilities are estimated as follows:

	July 31, 2020	**July 31, 2019**
	$	**$**
Non-capital losses	(56,900)	(34,200)
Share issuance costs	(16,900)	(23,800)
Unrecognized deferred income tax assets	73,800	58,000
	-	-

The deferred tax assets have not been recognized because at this stage of the Company's development it is not determinable that future taxable profit will be available against which the Company can't utilize such deferred tax assets.

As at July 31, 2020, the Company has non-capital losses carried forward $210,700 (2019 - $126,700) which are available to offset future years' taxable income. These losses expire as follows:

	Non-capital losses
	$
2038	42,300
2039	84,400
2040	84,000
	210,700