# PROJECT ONE RESOURCES LTD.

**Condensed Interim Financial Statements**
**For the three and nine-month periods ended May 31, 2020 and 2019**
**(Expressed in Canadian Dollars)**
**(Unaudited)**

**PROJECT ONE RESOURCES LTD.**
**Condensed Interim Statements of Financial Position**
**(Unaudited - Expressed in Canadian Dollars)**

| **As at** | | **May 31, 2020** | | **August 31, 2019** |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current** | | | | |
| Cash | $ | 113,863 | $ | 171,337 |
| Receivables | | 801 | | 3,464 |
| Prepaid expenses | | - | | 21,059 |
| | | 114,664 | | 195,860 |
| Mineral property (note 4) | | 25,527 | | 25,527 |
| | $ | 140,191 | $ | 221,387 |
| **Liabilities and Shareholders' Equity** | | | | |
| **Liabilities** | | | | |
| **Current** | | | | |
| Accounts payable and accrued liabilities (note 6) | $ | 48,408 | $ | 35,389 |
| Related party loan (note 6) | | 10,000 | | 20,395 |
| **Total Liabilities** | | 58,408 | | 55,784 |
| **Shareholders' Equity** | | | | |
| **Common Shares** (note 5) | | 417,881 | | 421,449 |
| **Warrant Reserve** (note 5) | | 19,849 | | 20,047 |
| **Deficit** | | (355,947) | | (275,893) |
| | | 81,783 | | 165,603 |
| | $ | 140,191 | $ | 221,387 |

Approved on behalf of the Board:

| *"Ronald Shenton" (signed)* | *"Brian Roberts" (signed)* |
|---|---|
| Director | Director |

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

## PROJECT ONE RESOURCES LTD.
**Condensed Interim Statements of Comprehensive Loss**
**(Unaudited – Expressed in Canadian Dollars)**

| | For the 3-Month Period Ended May 31, 2020 | For the 3-Month Period Ended May 31, 2019 | For the 9-Month Period Ended May 31, 2020 | For the 9-Month Period Ended May 31, 2019 |
|---|---|---|---|---|
| **Expenses** | | | | |
| Advertising and promotion | $ - | $ - | $ 2,157 | $ 291 |
| Consulting fees | 17,000 | 10,060 | 48,500 | 17,160 |
| Exploration and evaluation expenditures (note 4) | (14,003) | - | 2,565 | - |
| Filing fees | 3,946 | 2,360 | 14,213 | 19,262 |
| Interest and bank charges | 111 | 69 | 625 | 142 |
| Professional fees | 9,012 | 10,500 | 10,936 | 35,613 |
| Rent | - | 1,500 | 1,500 | 4,500 |
| Travel | 326 | 2,598 | 830 | 3,518 |
| Website | - | 463 | 3,728 | 1,145 |
| **Net loss and comprehensive loss for the period** | $ 16,392 | $ 27,550 | $ 85,054 | $ 81,631 |
| **Basic and diluted loss per common share** | $ 0.002 | $ 0.005 | $ 0.009 | $ 0.014 |
| **Weighted average number of outstanding shares** | 9,794,527 | 5,840,777 | 9,821,426 | 5,840,777 |

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

**PROJECT ONE RESOURCES LTD.**
**Condensed Interim Statements of Changes in Shareholders' Equity**
**(Unaudited - Expressed in Canadian Dollars)**

| | Common Shares | | | | |
|---|---|---|---|---|---|
| | Number Outstanding | Amount $ | Warrant Reserve $ | Deficit $ | Total Shareholders' Equity $ |
| **Balance, August 31, 2018** | 5,840,777 | 194,333 | - | (92,709) | 101,624 |
| Net loss and comprehensive loss for the period | - | - | - | (81,631) | (81,631) |
| **Balance, May 31, 2019** | 5,840,777 | 194,333 | - | (174,340) | 19,993 |
| **Balance, August 31, 2019** | 9,840,777 | 421,449 | 20,047 | (275,893) | 165,603 |
| Exercise of warrants | 3,750 | 573 | (198) | - | 375 |
| Refund of share issuance costs | - | 859 | - | - | 859 |
| Cancellation of common shares (note 5) | (50,000) | (5,000) | - | 5,000 | - |
| Net loss and comprehensive loss of the period | - | - | - | (85,054) | (85,054) |
| **Balance, May 31, 2020** | 9,794,527 | 417,881 | 19,849 | (355,947) | 81,783 |

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

**PROJECT ONE RESOURCES LTD.**
**Condensed Interim Statements of Cash Flows**
**(Unaudted - Expressed in Canadian Dollars)**

| **Nine months ended May 31,** | | **2020** | | **2019** |
|---|---|---|---|---|
| **Operating Activities** | | | | |
| Net loss for period | $ | (85,054) | $ | (81,631) |
| Change in working capital balances: | | | | |
| Receivables | | 2,663 | | 11,846 |
| Prepaid expenses | | 21,059 | | - |
| Accounts payable and accrued liabilities | | 13,019 | | (673) |
| **Net Cash Used in Operating Activities** | | (48,313) | | (70,458) |
| **Financing Activities** | | | | |
| Exercise of warrants | | 375 | | - |
| Refund of share issuance costs | | 859 | | - |
| Share Issuance costs | | - | | (10,000) |
| Related party loan | | (10,395) | | 20,000 |
| **Net Cash Provided by (Used in) Financing Activities** | | (9,161) | | 10,000 |
| **Net Cash Decrease for Period** | | (57,474) | | (60,458) |
| **Cash, Beginning of Period** | | 171,337 | | 65,011 |
| **Cash, End of Period** | $ | 113,863 | $ | 4,553 |
| **Supplemental Cash Flow Information** | | | | |
| Amounts paid for interest | $ | 395 | $ | - |
| Amounts paid for taxes | $ | - | $ | - |

There were no cash investing activities during the nine-month periods ended May 31, 2020 and 2019.

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Project One Resources Ltd. (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on March 22, 2018. On June 11, 2019, the Company completed its initial public offering ("IPO") (note 5) and is now publicly traded on the Canadian Securities Exchange ("CSE") under the ticker PJO. The principal business of the Company is the acquisition, exploration and evaluation of resource properties.

The Company's head office is Suite 459 – 409 Granville Street, Vancouver, BC, V6C 1T2, and its registered office is Suite 1710 – 1177 West Hastings Street, Vancouver, BC, V6E 2L3.

The condensed interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. At present, the Company has no operating income. During the nine-month period ended May 31, 2020, the Company incurred a net loss of $85,054, and as of that date, had a deficit of $360,947. Without additional financing, the Company may not be able to fund its ongoing operations and complete development activities. The Company intends to finance its future requirements through a combination of debt and/or equity issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. These uncertainties may cast significant doubt on the Company's ability to continue as a going concern. The Company will need to raise sufficient working capital to maintain operations. These condensed interim financial statements do not include any adjustments related to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. The impact of the COVID-19 pandemic has major implications for all economic activity, including that of the Company. At this time it is not possible to predict the duration or magnitude of the adverse results of the outbreak, however, management believes that the impact to the Company will be limited mainly to the curtailment of travel and access to mineral projects due to travel and social distancing restrictions as well as its ability to raise financing. There has been no material disruption to the Company's current operations to date.

## 2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These condensed interim financial statements are unaudited and have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* using accounting policies consistent with IFRS. These condensed interim financial statements do not include all of the information required for full annual financial statements. These condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended August 31, 2019.

## 2. BASIS OF PRESENTATION (Continued)

(a) Statement of compliance

These condensed interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

(b) Basis of measurement

These condensed interim 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 condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Approval of the condensed interim financial statements

These condensed interim financial statements were authorized for issue by the Audit Committee and Board of Directors on July 29, 2020.

## 3. SIGNIFICANT ACCOUNTING POLICIES

In preparing these condensed interim financial statements, the significant accounting policies and the significant judgments made by management in applying the Company's significant accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company's audited financial statements for the year ended August 31, 2019.

### Use of estimates and judgments

The preparation of these condensed interim 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, income and expenses. Actual results may vary from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

<u>Critical Judgments</u>

*Going concern*

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties exist related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Capitalization of mineral properties*

The application of the Company's accounting policy for mineral properties 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 the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off to profit or loss in the period the new information becomes available.

*Impairment of mineral property*

Assets or cash-generating units ("CGUs") are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's mineral property.

In respect of costs incurred for its mineral property, management has determined that the acquisition and staking costs incurred, which have been capitalized, continue to be appropriately recorded on the statements of financial position at its carrying value as management has determined there are no indicators of impairment for its mineral property as at May 31, 2020 and August 31, 2019.

## 4. MINERAL PROPERTY

(a) Christa-Aura Property, British Columbia, Canada

The Company acquired the Christa-Aura Property (the "Property"), located in British Columbia, consisting of five mineral titles, through issuance of 2,350,777 common shares fair valued at $23,508 from a director. In addition, the Company incurred acquisition and staking costs of $2,019 during the period from incorporation to August 31, 2018. No additional acquisition costs were incurred during the nine-month periods ended May 31, 2020 and 2019.

(b) Exploration and evaluation costs

During the nine-month period ended May 31, 2020, the Company incurred $17,068 (2019 - $nil) in exploration and evaluation expenditures. During the nine-month period ended May 31, 2020, the Company received a $14,503 (2019 - $nil) *British Columbia Mining Exploration Tax Credit* (BCMETC) refund which was included as a recovery in exploration and evaluation expenditures.

**(Unaudited - Expressed in Canadian Dollars)**

## 4. MINERAL PROPERTY (Continued)

(b) Exploration and evaluation costs (Continued)

Details of exploration activities during the nine-month periods ended May 31, 2020 and May 31, 2019 are as follows:

| **Nine month-period ended** | | **May 31, 2020** | | **May 31, 2019** |
|---|---|---|---|---|
| Engineering, geology, and project management | $ | 989 | $ | - |
| Geophysical | | 13,647 | | - |
| Technical report | | 2,432 | | - |
| BCMETC | | (14,503) | | - |
| **Exploration and evaluation costs** | $ | 2,565 | $ | - |

## 5. SHAREHOLDERS' EQUITY

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and outstanding

9,794,527 common shares without par value.

During the year ended August 31, 2019, the Company entered into an agreement with a vendor to provide website and marketing services. The Company and the vendor settled the terms of the arrangement whereby 50,000 common shares would be cancelled. The vendor had participated in the Company's IPO and the shares were issued at $5,000.

On February 28, 2020, 3,750 common shares were issued related to the exercise of warrants for proceeds of $375. The fair value related to these warrants of $198 was transferred from warrant reserve to common shares.

(c) Escrow shares

On August 28, 2018, the Company executed an escrow agreement with an escrow agent and a security holder where they have agreed to deposit 2,650,777 common shares in escrow. Under the escrow agreement, 10% of the shares were released upon completion of the IPO and 15% of the shares will be released every six months following listing. As at May 31, 2020, the Company had 1,988,082 (August 31, 2019 – 2,385,699) shares held in escrow.

**(Unaudited - Expressed in Canadian Dollars)**

## 5. SHAREHOLDERS' EQUITY (Continued)

(d) Stock options

The Company's stock option plan authorizes the issuance of options up to a maximum of 10% of the Company's issued shares. The exercise price of any option granted shall not be less than the fair market value of the shares at the time of the grant. The expiry date for each option, set by the Board of Directors at the time of issue, shall not be more than ten years after the grant date. Unless stipulated by the Board of Directors, options granted generally vest fully on the date of grant. As at May 31, 2020 and August 31, 2019, the Company had no stock options outstanding.

Subsequent to May 31, 2020, the Company granted 850,000 stock options with an exercise price of $0.19 and a term of 5 years to its Board of Directors.

(e) Share warrants

| | 9-month Period Ended May 31, 2020 | | Year Ended August 31, 2019 | |
|---|---|---|---|---|
| | Number of share purchase warrants | Weighted average exercise price $ | Number of share purchase warrants | Weighted average exercise price $ |
| Outstanding, beginning of period | 380,000 | 0.10 | - | - |
| Issued – agent warrants | - | - | 380,000 | 0.10 |
| Exercised* | (3,750) | 0.10 | - | - |
| Outstanding, end of period | 376,250 | 0.10 | 380,000 | 0.10 |

*Weighted average market price on date of exercise was $0.13 per share

| Number of warrants outstanding | Weighted average exercise price | Expiry dates | Weighted average remaining life (years) |
|---|---|---|---|
| 376,250 | $0.10 | June 11, 2021 | 1.03 |

## 6. RELATED PARTY TRANSACTIONS

Key management personnel include persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers.

During the nine-month period ended May 31, 2020, the Company incurred $45,000 (2019 - $6,000) in consulting fees with the officers of the Company. As at May 31, 2020, the total outstanding payables to related parties is $40,233 (August 31, 2019 - $nil)

## 6. RELATED PARTY TRANSACTIONS (Continued)

On April 10, 2019, the Company entered into a loan agreement with the CEO of the Company for $20,000. The loan bears interest at 5% per annum, due July 10, 2019 and subsequently extended to March 31, 2020 and again to May 31, 2020. During the nine-month period ended May 31, 2020, the Company repaid $10,395 of the loan balance and accrued interest. As at May 31, 2020, the remaining loan balance is $10,000.

Subsequent to May 31, 2020, the Company entered into a share for debt arrangement with related parties to exchange shares at a deemed price of $0.16 for $49,375 in debt from accrued management fees (and GST) and the balance owing on a loan payable. On June 4, 2020, the Company issued a total of 312,344 common shares fair valued at $0.22 per common share for total consideration of $68,716.

## 7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk for the Company is associated with its cash. The Company is not exposed to significant credit risk as its cash is placed with a major Canadian financial institution.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company is not exposed to significant liquidity risk.

As at May 31, 2020, the Company has cash of $113,863 (August 31, 2019 - $171,337) available to apply against short-term business requirements and current liabilities of $58,408 (August 31, 2019 - $55,784). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of May 31, 2020. The related party loan of $10,000 is due as at May 31, 2020. Subsequent to May 31, 2020, the Company entered into share of debt arrangements with related parties to settle the liabilities (note 6).

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk. The Company is not exposed to significant market risk.

(d) Determination of fair value

Financial instruments of the Company consist of cash, accounts payable and accrued liabilities and related party loan, all of which are included in these condensed interim financial statements. The amounts reflected in the condensed interim statements of financial position are carrying amounts and approximate their fair values due to their short-term nature.

## 7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(d) Determination of fair value

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – Inputs for assets or liabilities that are not based on observable market data.

## 8. CAPITAL MANAGEMENT

The Company has just commenced operations. It has not yet determined whether it will be successful in its endeavours and does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of common shares and loans from related parties. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company did not change its approach to capital management during the period ended May 31, 2020.

The Company defines its capital as shareholders' equity and related party loans. Capital requirements are driven by the Company's general operations. To effectively manage the Company's capital requirements, the Company monitors expenses and overhead to ensure costs and commitments are being paid.

## 9. SEGMENTED INFORMATION

The Company has one operating segment, acquisition, exploration and evaluation of resource properties, and all long-term assets of the Company are located in Canada.