

PROJECT ONE RESOURCES LTD.

**Financial Statements
For the years ended August 31, 2020 and 2019
(Expressed in Canadian Dollars)**

Index	<u>Page</u>
Independent Auditors' Report to the Shareholders	1 - 3
Financial Statements	
Statements of Financial Position	4
Statements of Comprehensive Loss	5
Statements of Changes in Shareholders' Equity	6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 21

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF PROJECT ONE RESOURCES LTD.

Opinion

We have audited the financial statements of Project One Resources Ltd. (the "Company"), which comprise:

- the statements of financial position as at August 31, 2020 and 2019;
- the statements of comprehensive loss for the years then ended;
- the statements of changes in shareholders' equity for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2020 and 2019, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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 audit 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of \$407,134 during the year ended August 31, 2020 and, as of that date, had an accumulated deficit of \$678,027. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on 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. The other information comprises of Management's Discussion and Analysis.

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 audit 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 audits, and remain alert for indications that the other information appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. 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 in this auditors' report. 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 the financial statements in accordance with IFRS, 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 Michelle Chi Wai So.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
December 22, 2020

PROJECT ONE RESOURCES LTD.
Statements of Financial Position
(Expressed in Canadian Dollars)

As at August 31	2020	2019
Assets		
Current		
Cash	\$ 597,959	\$ 171,337
Receivables (note 5)	8,393	3,464
Prepaid expenses	27,000	21,059
	633,352	195,860
Mineral property (note 4)	1	25,527
	\$ 633,353	\$ 221,387
Liabilities and Shareholders' Equity		
Liabilities		
Current		
Accounts payable and accrued liabilities (note 7)	\$ 24,014	\$ 35,389
Due to related party (note 7)	-	20,395
	24,014	55,784
Shareholders' Equity		
Common Shares (note 5)	1,152,897	421,449
Warrants Reserve (note 5)	134,469	20,047
Deficit	(678,027)	(275,893)
	609,339	165,603
Total Liabilities and Shareholders' Equity	\$ 633,353	\$ 221,387

Approved on behalf of the Board:

"Ronald Shenton" (signed)
 Director

"Brian Roberts" (signed)
 Director

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

PROJECT ONE RESOURCES LTD.
Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

Years Ended August 31	2020	2019
Expenses		
Accounting and audit fees (note 7)	\$ 22,518	\$ 18,856
Advertising and promotion	33,782	291
Consulting fees (note 7)	133,466	21,160
Exploration and evaluation expenditures (note 4)	(13,667)	80,225
Filing fees	23,350	23,168
Interest and bank charges	773	609
Legal fees	29,723	27,268
Meals and entertainment	1,277	-
Office expense	340	-
Rent	1,500	6,500
Share-based compensation (note 5)	125,700	-
Travel	830	3,912
Website	3,500	1,195
	363,092	183,184
Other items		
Loss on shares issued for debt (note 5)	18,516	-
Impairment of mineral property (note 4)	25,526	-
Net Loss and Comprehensive Loss for Year	\$ 407,134	\$ 183,184
Basic and Diluted Loss per Share	\$ 0.04	\$ 0.03
Weighted Average Number of Common Shares Outstanding	10,160,571	6,728,448

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

PROJECT ONE RESOURCES LTD.
Statements of Changes in Shareholders' Equity
For the Years Ended August 31, 2020 and 2019
(Expressed in Canadian Dollars)

	Common Shares			Warrants Reserve	Deficit	Total Shareholders' Equity
	Number Outstanding	Amount \$	Amount \$			
Balance, August 31, 2018	5,840,777	194,333	-	(92,709)	101,624	
Initial public offering (note 5)	4,000,000	400,000	-	-	400,000	
Share issuance costs	-	(172,884)	20,047	-	(152,837)	
Net loss for the year	-	-	-	(183,184)	(183,184)	
Balance, August 31, 2019	9,840,777	421,449	20,047	(275,893)	165,603	
Cancellation of common shares (note 5)	(50,000)	(5,000)	-	5,000	-	
Exercise of warrants (note 5)	213,750	32,653	(11,278)	-	21,375	
Refund of share issuance cost	-	859	-	-	859	
Shares issued for debt (note 5)	308,594	67,891	-	-	67,891	
Private placement (note 5)	3,578,056	644,050	-	-	644,050	
Share issued as finder's fee (note 5)	33,600	13,440	-	-	13,440	
Share issuance costs (note 5)	-	(22,445)	-	-	(22,445)	
Share-based compensation	-	-	125,700	-	125,700	
Net loss for the year	-	-	-	(407,134)	(407,134)	
Balance, August 31, 2020	13,924,777	1,152,897	134,469	(678,027)	609,339	

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

PROJECT ONE RESOURCES LTD.
Statements of Cash Flows
(Expressed in Canadian Dollars)

Years Ended August 31	2020	2019
Cash Provided by (Used In)		
Operating Activities		
Net loss for the year	\$ (407,134)	\$ (183,184)
Non-cash item:		
Accrued interest	-	395
Loss on shares issued for debt	18,516	-
Share-based compensation	125,700	-
Impairment of mineral property	25,526	-
Change in working capital balances:		
Receivables	(4,929)	912
Prepaid expenses	(5,941)	(21,059)
Accounts payable and accrued liabilities	73,450	27,599
Cash Used in Operating Activities	(174,812)	(175,337)
Financing Activities		
Proceeds from issuance of shares, net share issuance costs	589,595	261,663
Proceeds from exercise of warrants	21,375	-
Advances from (payments to) related party	(10,395)	20,000
Share issuance cost refund	859	-
Cash Provided by Financing Activities	601,434	281,663
Inflow of Cash	426,622	106,326
Cash, Beginning of Year	171,337	65,011
Cash, End of Year	\$ 597,959	\$ 171,337
Supplemental Cash Flow Information		
Common shares issued for due to related party	\$ 10,000	\$ -
Common shares issued for debt settlement	\$ 39,375	\$ -
Common shares issued for debt as part of private placement	\$ 45,450	\$ -
Agents' warrants – included in share issuance costs	\$ -	\$ 20,047
Finder's fee – included in share issuance costs	\$ 13,440	\$ -
Amounts paid for interest	\$ 605	\$ -
Amounts paid for taxes	\$ -	\$ -

There were no cash investing activities during the years ended August 31, 2020 and 2019.

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

PROJECT ONE RESOURCES LTD.
Notes to the Financial Statements
For the Year Ended August 31, 2020 and 2019
(Expressed in Canadian Dollars)

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”) 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 address is Suite 459 – 409 Granville Street, Vancouver, British Columbia, V6C 1T2, and its registered office address is Suite 1710 – 1177 West Hastings Street, Vancouver, British Columbia, V6E 2L3.

In August 2020, the Company signed a non-binding letter of intent (“LOI”) to purchase a 100% interest in two European cyber-security firms. The LOI outlines a proposed purchase price of 11,000,000 euros, which the Company would finance through a combination of debt and equity.

These 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. The Company incurred a net loss of \$407,134 during the year ended August 31, 2020 (2019 - \$183,184) and, as of that date, had a deficit of \$678,027 (2019 - \$275,893). 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 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 and its effects on the Company's business but believes that the COVID-19 Pandemic will likely have only a minimal impact on the Company's activities, most notably in curtailment of travel and access to projects due to travel and social distancing restrictions. There is no material disruption to the Company's current operations.

2. BASIS OF PRESENTATION

(a) Statement of compliance

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

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

PROJECT ONE RESOURCES LTD.
Notes to the Financial Statements
For the Year Ended August 31, 2020 and 2019
(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (Continued)

(a) Basis of presentation

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

(c) Approval of the financial statements

These financial statements were authorized for issue by the Audit Committee and Board of Directors on December 22, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Mineral property

(i) Exploration and evaluation

Staking costs, property option payments, and other costs associated with acquiring exploration and evaluation assets are capitalized and classified as intangible assets, whereas exploration and evaluation expenditures are recognized as expenses as they are incurred during the period. Exploration and evaluation expenditures include costs of conducting geological and geophysical surveys, equipment rental, geochemical analysis, mapping and interpretation, and costs to obtain legal rights to explore an area.

Management reviews the carrying value of capitalized exploration costs annually. The review is based on the Company's intentions for development of the property.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the project. If a project does not prove viable, all irrecoverable costs associated with the project, net of any impairment provisions, are written off.

(ii) Development

Upon completion of a technical feasibility study and when commercial viability is demonstrated, capitalized exploration and evaluation assets are transferred to and classified as property, plant and equipment. Costs associated with the commissioning of new assets incurred in the period before they are operating in the way intended by management, are capitalized. Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

The costs of removing overburden to access ore are capitalized as pre-production stripping costs and classified as a component of property, plant and equipment.

PROJECT ONE RESOURCES LTD.
Notes to the Financial Statements
For the Year Ended August 31, 2020 and 2019
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Mineral property (Continued)

(iii) Impairment

The carrying value of all categories of mineral property and exploration are reviewed at least annually by management for indicators the recoverable amount may be less than the carrying value. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit ("CGU"), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent the carrying amount exceeds the recoverable amount.

Value-in-use is based on estimates of discounted future cash flows expected to be recovered from an asset through their use. Estimated future cash flows are calculated using estimates of future recoverable reserves and resources, future commodity prices and expected future operating and capital costs. Once calculated, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Fair value less costs to sell is the amount obtainable from either quotes from an active market or the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Costs of disposal are incremental costs directly attributable to the disposal of an asset or CGU, excluding finance costs and income tax expense.

Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit or group of units on a pro rata basis. Impairment losses are recognized in profit or loss. Assumptions, such as commodity prices, discount rate and expenditures, underlying the fair value estimates are subject to risk uncertainties. Impairment charges are recorded in the reporting period in which determination of impairment is made by management.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion or amortization, if no impairment loss had been recognized.

PROJECT ONE RESOURCES LTD.
Notes to the Financial Statements
For the Year Ended August 31, 2020 and 2019
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Mineral property (Continued)

(iv) Provision for environmental rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or straight line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profit or loss as extraction progresses.

(b) Mining exploration tax recoveries

The Company recognizes mining exploration tax recoveries in the period in which there is reasonable expectation, based on management's estimate, of receiving a refund. The amount of tax credit receivable is subject to review and approval by the taxation authorities and is adjusted for in the period when such approval is confirmed.

(c) Financial instruments

(i) Financial assets

Initial recognition and measurement

A financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss. The Company recognized a financial asset when it becomes a party to the contractual provisions of the instrument.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment allowance, if:

- the asset is held within a business whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

PROJECT ONE RESOURCES LTD.
Notes to the Financial Statements
For the Year Ended August 31, 2020 and 2019
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments (Continued)

There are no financial assets classified as measured at amortized cost.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income remain within accumulated other comprehensive income when the financial instrument is derecognized or its fair value substantially decreases.

There are no financial assets classified as measured at FVTOCI.

Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value therein, recognized in profit or loss. The Company classifies cash as fair value through profit or loss.

(ii) Derecognition

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets is derecognized when:

- the contractual rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(iii) Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable. The Company's financial liabilities include accounts payable and accrued liabilities and due to related party.

PROJECT ONE RESOURCES LTD.
Notes to the Financial Statements
For the Year Ended August 31, 2020 and 2019
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments (Continued)

(iv) Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

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.

Level 3 - Inputs for assets or liabilities that are not based on observable market data.

The Company's financial instruments classified as Level 1 in the fair value hierarchy are cash, accounts payable and accrued liabilities and due to related party. Their carrying values approximate their fair values due to the short-term maturity of these instruments.

(d) Common shares

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(e) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share is not adjusted for the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

(f) Income taxes

Tax provisions are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, a provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgment as to the ultimate outcome, which can change over time depending on the facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in profit or loss in the period in which the change occurs.

PROJECT ONE RESOURCES LTD.
Notes to the Financial Statements
For the Year Ended August 31, 2020 and 2019
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Income taxes (Continued)

Deferred tax assets or liabilities, arising from temporary differences between the tax and accounting values of assets and liabilities, are recorded based on tax rates expected to be enacted when these differences are reversed. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recovered. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets, as well as in the amounts recognized in profit or loss in the period in which the change occurs.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods.

(g) Use of estimates and judgments

The preparation of 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.

Critical Judgments

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.

PROJECT ONE RESOURCES LTD.
Notes to the Financial Statements
For the Year Ended August 31, 2020 and 2019
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Use of estimates and judgments (Continued)

Recoverability 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. Assets or cash-generating units 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. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, economic assessments/studies, accessible facilities and existing permits.

Significant Estimates and Assumptions

Inputs to the Black-Scholes option pricing model

The fair value of equity instruments is subject to the limitations of the Black-Scholes option pricing model, as well as other pricing models that incorporate market data and involves uncertainty in estimates used by management in the assumptions. Because option pricing models require inputs of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Impairment of mineral property

The carrying value of the Company's mineral property and the likelihood of future economic recoverability of the carrying value is subject to significant management estimates and judgments. The application of the Company's accounting policy for and determination of recoverability of the mineral property is based on assumptions about future events or circumstances. New information may change estimates and assumptions made. If information becomes available indicating that recovery of expenditures is unlikely, the amounts capitalized are impaired and recognized as a loss in the period that the new information becomes available. A change in estimate could result in the carrying amount of capitalized assets being materially different from their presented carrying costs.

(h) Non-monetary transactions

Shares issued for consideration other than cash are valued at the fair value of assets received or services rendered. If the fair value of assets received or services rendered cannot be reliably measured, shares issued for consideration will be fair valued at the date of issuance.

PROJECT ONE RESOURCES LTD.
Notes to the Financial Statements
For the Year Ended August 31, 2020 and 2019
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Share-based compensation

The Company has a stock option plan that is described in note 5 and grants share options to acquire common shares of the Company to directors, officers, employees and consultants. Share-based payments to employees are measured at the fair value of the instruments granted. Share-based payments are measured at the fair value of the goods or services received or the fair value of the equity instruments issued as calculated using the Black-Scholes option pricing model. The offset to the recorded expense is to options or warrants reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related options reserve is transferred to share capital. For those options that expire, the recorded fair value in options reserve is transferred to deficit.

(j) IFRS 16 *Leases*

Effective September 1, 2019, the Company adopted IFRS 16 *Leases* ("IFRS 16") using the modified retrospective approach. The comparative figures for the 2019 reporting period have not been restated and are accounted for under IAS 17 *Leases*, ("IAS 17") and IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, as permitted under the specific transitional provisions in the standard. IFRS 16 requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17. The adoption of IFRS 16 did not have an impact on the Company's financial statements as the Company does not have any lease agreements.

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 years ended August 31, 2020 and 2019. Due to the LOI signed (note 1), an indicator of impairment existed. The Company impaired the property to \$1, being the estimated fair value of the property, determined in accordance with level 3 of the fair value hierarchy.

(b) Exploration and evaluation costs

During the year ended August 31, 2020, the Company incurred \$21,059 (2019 - \$80,225) in exploration and evaluation expenditures on this property. The cumulative exploration costs incurred on the Property to August 31, 2020 is \$142,586 (2019 - \$152,262) as detailed below.

PROJECT ONE RESOURCES LTD.
Notes to the Financial Statements
For the Year Ended August 31, 2020 and 2019
(Expressed in Canadian Dollars)

4. MINERAL PROPERTY (Continued)

(b) Exploration and evaluation costs (Continued)

Details of exploration activities during the year ended August 31, 2020 and 2019 are as follows:

Balance, August 31, 2018	\$ 72,007
Engineering, geology, and project management	19,920
Geochemical	-
Geophysical	50,575
Technical report	9,730
	<u>80,225</u>
Balance, August 31, 2019	\$ 152,232
Balance, August 31, 2019	\$ 152,232
Engineering, geology, and project management	4,980
Geochemical	-
Geophysical	9,656
Technical report	2,432
BC Mining Exploration tax credit	(30,735)
	<u>(13,667)</u>
Balance, August 31, 2020	\$ 138,565

5. SHAREHOLDERS' EQUITY

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and outstanding

13,924,777 (2019 – 9,840,777) common shares without par value.

- (i) On June 11, 2019, the Company completed its IPO and issued 4,000,000 common shares of the Company at \$0.10 per common share for gross proceeds of \$400,000. In connection with this offering, the Company paid \$152,837 in cash share issuance costs and issued 380,000 agent warrants with a total fair value of \$20,047. Each agent warrant entitles the holder to purchase one common share of the Company at \$0.10 per share for a period of 24 months.
- (ii) 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 and were returned to treasury. The vendor had participated in the Company's IPO and the shares were issued at \$5,000.

PROJECT ONE RESOURCES LTD.
Notes to the Financial Statements
For the Year Ended August 31, 2020 and 2019
(Expressed in Canadian Dollars)

5. SHAREHOLDERS' EQUITY

(b) Issued and outstanding (Continued)

(iii) On June 1, 2020, the Company issued 308,594 common shares of the Company to settle \$39,375 of accounts payable and \$10,000 of the due to related party (note 7). The fair value of the common shares issued was determined to be \$67,891 per share using the share price on the issuance date, resulting in a loss of \$18,516 recognized in 2020.

(iv) On August 4, 2020, the Company issued 3,578,056 units pursuant to a private placement at \$0.18 per unit for gross proceeds of \$644,050. 252,500 of the units (fair valued at \$45,450) were issued to settle accounts payable. Each unit consisted of one common share and one warrant, with each warrant entitling the holder to purchase an additional common share at \$0.30 until August 3, 2021. The warrants will provide for an accelerated expiry in the event that the shares of the issuer are trading at a price of \$0.50 or greater for 20 consecutive trading days. The Company issued 33,600 shares as finder' fees with a fair value of \$13,440 and paid \$9,005 in legal expenses related to the issuance.

(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 August 31, 2020, the Company had 1,590,466 (2019 – 2,385,699) shares held in escrow.

(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. During the year ended August 31, 2020, the Company issued 850,000 (2019 – nil) stock options to directors. The stock options vested fully on grant.

The fair value of the 850,000 options issued was calculated as \$125,700 using the Black-Scholes option pricing model using the assumptions noted below. The volatility of 100% is based on industry standard for comparable companies without a historical volatility. Fair value is particularly impacted by stock price volatility, determined using historical price data for a term equivalent to the expected life of the option.

	2020
Risk-free interest rate	0.45%
Expected life of options	5 years
Annualized volatility	100%
Dividend rate	0%

PROJECT ONE RESOURCES LTD.
Notes to the Financial Statements
For the Year Ended August 31, 2020 and 2019
(Expressed in Canadian Dollars)

5. SHAREHOLDERS' EQUITY

(d) Stock options (Continued)

Number of options outstanding	Weighted average exercise price	Expiry dates	Weighted average remaining life (years)		
850,000	\$0.20	June 2, 2025	4.76		
		Year Ended August 31, 2020	Year Ended August 31, 2019		
		Number of share options	Weighted average exercise price \$	Number of share options	Weighted average exercise price \$
Outstanding, beginning of year		-	-	-	-
Issued – options		850,000	0.20	-	-
Outstanding, end of year		850,000	0.20	-	-

(e) Stock warrants

	Year Ended August 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 year	380,000	0.10	-	-
Issued – warrants	3,578,056	0.30	380,000	0.10
Exercised – warrants	(213,750)	0.10	-	-
Outstanding, end of period	3,744,306	0.29	380,000	0.10

The weighted average fair value of the agent warrants issued during the year ended August 31, 2019 was estimated at approximately \$0.05 per warrant at the grant date using the Black-Scholes Pricing Model using the following assumptions: no expected dividends to be paid; volatility of 100% based on industry standard for comparable companies without a historical volatility; risk-free interest rate of 1.48%; and expected life of 2 years.

Number of warrants outstanding	Weighted average exercise price	Expiry dates	Weighted average remaining life (years)
166,250	\$0.10	June 11, 2021	0.78
3,578,056	\$0.30	August 3, 2021	0.92

PROJECT ONE RESOURCES LTD.
Notes to the Financial Statements
For the Year Ended August 31, 2020 and 2019
(Expressed in Canadian Dollars)

6. INCOME TAXES

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

	2020	2019
Loss for the year	\$ (407,134)	\$ (183,184)
Tax rate	27.00%	27.00%
Expected recovery	(109,926)	(49,460)
Items not deductible for tax purposes	39,111	-
Under (over) provided in prior years	27,662	(19,442)
Origination and reversal of temporary differences	(3,073)	110,168
Unused tax losses and tax offsets not recognized	46,226	(41,266)
Total income tax expense (recovery)	\$ -	\$ -

Deferred income tax assets are only recognized to the extent that the realization of tax benefits is determined to be probable. As at August 31, 2020, the Company has not recognized the benefit of the following deductible temporary differences:

	2020	2019
Mineral property	\$ 150,000	\$ 152,000
Share issuance costs	\$ 99,000	\$ 122,000
Non-capital losses	\$ 423,500	\$ 226,000

At August 31, 2020, the Company has non-capital losses available of approximately \$423,500 (2019 - \$226,000) that may be carried forward to apply against future income for Canadian tax purposes and will expire in 2038 to 2040.

7. 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 year ended August 31, 2020, the Company incurred \$22,518 (2019 - \$18,856) for accounting fees and \$69,000 (2019 - \$11,500) for consulting fees. As of August 31, 2020, one officer owed \$3,150 to the Company.

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 extended to January 10, 2020. During the year ended August 31, 2020, the loan was fully repaid. \$10,000 was settled through the issuance of common shares (note 5) and \$11,000 was repaid in cash, including interest of \$1,000. \$605 of this interest was incurred during the year ended August 31, 2020.

PROJECT ONE RESOURCES LTD.
Notes to the Financial Statements
For the Year Ended August 31, 2020 and 2019
(Expressed in Canadian Dollars)

8. 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 and receivables. 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 August 31, 2020, the Company has cash of \$597,959 (2019 - \$171,337) available to apply against short-term business requirements and current liabilities of \$24,014 (2019 - \$55,784). All of the liabilities presented as accounts payable are due within 90 days of August 31, 2020.

(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.

9. 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 year ended August 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.

10. 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.

11. SUBSEQUENT EVENT

On September 17, 2020, the Company issued 450,000 stock options to directors and officers at an exercise price of \$0.50 with a term of 5 years.