

# **BOND RESOURCES INC.**

Consolidated Financial Statements

For the period from January 15, 2020 to June 30, 2020



## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of Bond Resources Inc.:

### ***Opinion***

We have audited the consolidated financial statements of Bond Resources Inc. and its subsidiaries (together the "Company"), which comprise the consolidated statement of financial position as at June 30, 2020, and the consolidated statement of net loss and comprehensive loss, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the period from incorporation on January 15, 2020 to June 30, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2020, and its consolidated financial performance and its consolidated cash flows for the period from incorporation on January 15, 2020 to June 30, 2020 in accordance with International Financial Reporting Standards.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated 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 consolidated 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.

### ***Material Uncertainty Related to Going Concern***

We draw attention to Note 1 in the consolidated financial statements, which describes events and conditions indicating 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 the information included in the Management's Discussion & Analysis filed with the relevant Canadian securities commissions.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits and remain alert for indications that the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

In preparing the consolidated 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.

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated 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 consolidated 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 auditor's report to the related disclosures in the consolidated 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 auditor's 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 auditor's report is Anna C. Moreton.

*Baker Tilly WM LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.  
October 26, 2020

**BOND RESOURCES INC.**  
**Consolidated Statement of Financial Position**  
As at June 30, 2020  
(in United States Dollars)

**Assets**

Current assets:

Cash	\$ 356,569
Due from shareholders (Notes 5 and 8)	119,079
Amounts receivable	21,175
Prepaid expenses and advances	81,006

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Total current assets 577,829

Non-current assets:

Property and equipment (Note 6)	485,633
Exploration and evaluation assets (Note 7)	812,788

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**Total non-current assets** 1,298,421

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**Total assets** \$ 1,876,250

**Liabilities**

Current liabilities:

Accounts payable and accrued liabilities (Note 5)	\$ 118,106
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**Shareholders' Equity**

Share capital (Note 8)	4,438,042
Equity reserve	718,383
Accumulated other comprehensive income (loss)	31,028
Deficit	(3,429,309)

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**Total shareholders' equity** 1,758,144

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**Total liabilities and shareholders' equity** \$ 1,876,250

**Going Concern** (Note 1)  
**Subsequent Events** (Notes 5, 7 and 8)

Approved on behalf of the Board of  
Directors:

*signed "Joseph Carrabba"*  
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Director

*signed "Robert Eadie"*  
\_\_\_\_\_  
Director

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

# BOND RESOURCES INC.

## Consolidated Statement of Net Loss and Comprehensive Loss

For the period from January 15, 2020 (date of incorporation) to June 30, 2020  
(in United States Dollars)

<b>Pre-exploration costs</b>	
Assays	\$ 8,865
Consulting / Labor	347,657
Office and rent	125,219
Permitting	3,642
Supplies	60,818
Travel / Auto	36,368
	<hr/>
	582,569
<b>Expenses</b>	
Accounting and audit fees (Note 5)	18,499
Amortization (Note 6)	36,344
Foreign exchange loss	1,849
Legal, consulting and corporate services (Note 5)	283,562
Management activities (Note 5)	142,844
Marketing activities	50,457
Office, rent and administration (Note 5)	18,659
Shareholder communications (Note 5)	10,563
Stock based compensation (Notes 5 and 8)	650,000
Transfer agent and filing fees	4,857
Travel	10,420
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<b>Total expenses</b>	<b>1,810,623</b>
<b>Other items:</b>	
Listing fee (Note 4)	(1,263,883)
	<hr/>
<b>Net loss</b>	<b>(3,074,506)</b>
<b>Other comprehensive income (loss):</b>	
<b>Items that will be reclassified subsequently to profit or loss</b>	
Foreign currency translation of foreign operations	31,028
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<b>Comprehensive loss</b>	<b>\$ (3,043,478)</b>
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<b>Net loss per share</b> Basic and diluted	<b>\$ (0.05)</b>
<b>Weighted average number of shares outstanding</b> - Basic and diluted	<b>60,433,856</b>

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

# BOND RESOURCES INC.

## Consolidated Statement of Changes in Shareholders' Equity

For the period from January 15, 2020 (date of incorporation) to June 30, 2020

(in United States Dollars)

	Share Capital				Accumulated other comprehensive income (loss)		Deficit	Total
	#	\$	Equity Reserve					
<b>Balance, January 15, 2020</b>	-	\$ -	\$ -	-	\$ -	-	\$ -	\$ -
Common control transaction ( <i>Note 1</i> )	-	-	-	-	-	(354,803)	(354,803)	(354,803)
Issuance of common shares	62,200,000	2,164,206	-	-	-	-	2,164,206	2,164,206
Reverse merger transaction ( <i>Note 4</i> )	16,447,050	2,333,836	68,383	-	-	-	2,402,219	2,402,219
Finder's fee	-	(60,000)	-	-	-	-	(60,000)	(60,000)
Stock based compensation	-	-	650,000	-	-	-	650,000	650,000
Net and comprehensive loss	-	-	-	-	31,028	(3,074,506)	(3,043,478)	(3,043,478)
<b>Balance, June 30, 2020</b>	<b>78,647,050</b>	<b>\$ 4,438,042</b>	<b>\$ 718,383</b>	<b>\$ 31,028</b>	<b>\$ (3,429,309)</b>	<b>\$ 1,758,144</b>		

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

# BOND RESOURCES INC.

## Consolidated Statement of Cash Flows

(in United States Dollars)

For the period from January 15, 2020 (date of incorporation) to June 30, 2020

<b>Operating Activities</b>		
Net loss	\$	(3,074,506)
Non-cash items:		
Amortization (Note 6)		36,344
Listing fee (Note 4)		1,263,883
Shares issued for services rendered (Note 8)		224,315
Stock based compensation (Note 8)		650,000
Changes in non-cash working capital:		
Accounts payable and accrued liabilities		89,463
Prepaid expenses and advances		13,463
Amounts receivable		15,233
<b>Net cash used in operating activities</b>		<b>(781,805)</b>
<b>Investing Activities</b>		
Purchase of property and equipment (Note 6)		(34,227)
Exploration and evaluation assets (Note 7)		(812,788)
Cash acquired on the reverse merger transaction (Note 4)		1,051,986
Cash acquired on common control transaction (Note 1)		360,394
<b>Net cash provided by investing activities</b>		<b>565,365</b>
<b>Financing Activities</b>		
Issuance of shares for cash (Note 8)		601,981
Payment of finder's fee (Note 8)		(60,000)
<b>Net cash provided by financing activities</b>		<b>541,981</b>
<b>Increase in cash</b>		<b>325,541</b>
<b>Effect of foreign exchange on cash</b>		<b>31,028</b>
<b>Cash, beginning of the period</b>		<b>-</b>
<b>Cash, end of the period</b>	<b>\$</b>	<b>356,569</b>
<b>Non cash financing and investing activities</b>		
Shares, options and warrants issued for reverse merger (Note 4)	\$	2,402,219
Common control transaction (Note 1)	\$	877,910
Shares issued for purchase of property and equipment (Note 6)	\$	360,000
Shares issued for subscriptions receivable	\$	119,079

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

# BOND RESOURCES INC.

## Notes to the Consolidated Financial Statements

For the period from January 15, 2020 (date of incorporation) to June 30, 2020  
(all amounts are expressed in United States dollars)

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### 1. Nature of Operations and Going Concern

Bond Resources Inc. (“Bond” or the “Company”) was incorporated on January 22, 2007 under the Business Corporations Act of British Columbia as J. Bond Capital Corporation. It did not commence operations until August 15, 2017. Bond changed its legal name to Bond Resources Inc. on November 16, 2018 and commenced trading on the Canadian Securities Exchange (the “CSE”) on May 2, 2019 under the trading symbol “BJB”.

On May 15, 2020, Bond legally acquired MJ Mining Inc. (“MJ Mining”). MJ Mining was incorporated on January 15, 2020 under the laws of British Columbia, Canada. MJ Mining’s 100% owned subsidiary, MJ Mining Corp., was formed on October 25, 2019 (originally under the name of MJ Mining LLC) under the laws of the State of Delaware, United States of America. The Company’s principal business activity is the exploration of mineral properties in the United States. The address of the Company’s corporate office and principal place of business is 750 – 580 Hornby Street, Vancouver, British Columbia, Canada.

#### *Acquisition by Bond Resources Inc. – Reverse Merger*

On April 2, 2020, MJ Mining entered into a share exchange agreement (“Agreement”) with Bond whereby Bond issued 62.2 million common shares to the shareholders of MJ Mining, for 100% of the issued and outstanding shares of MJ Mining. The Agreement closing was subject to, among other conditions; completion of a 43-101 technical report on the Mary K Property; the completion of a private placement of at least \$1,600,000 by Bond; and, CSE and shareholder approval, all of which were completed and obtained by May 15, 2020. As a result, the acquisition of Bond resulted in a change of control, which transaction amounts to a reverse merger transaction (“Reverse Merger”). As a Reverse Merger, Bond is the legal parent, however, the accounting parent going forward will be MJ Mining with the acquisition value being the net assets of Bond.

#### *Going concern*

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and meet its liabilities as they become due. Management is aware events and conditions that create a material uncertainty that could cast significant doubt about the Company’s ability to continue as a going concern and therefore may be unable to realize its assets and discharge its liabilities in the normal course of business. For the period ended June 30, 2020, the Company incurred a comprehensive loss of \$3,043,478 and had negative cash flows from operations of \$781,805. These consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue as a going concern and therefore be required to realize its assets and liabilities in other than the normal course of business and potentially at amounts materially different from those recorded in these consolidated financial statements.

The Company is in the process of exploring its mineral property interests (Note 7) and has not yet determined whether the projects contain mineral reserves that are economically recoverable. The Company’s continuing operations and the underlying value and recoverability of the amounts shown for mineral properties is entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the mineral properties, obtaining the necessary permits to mine, and future profitable production or proceeds from the disposition of the mineral properties. Management currently assesses the Company’s ability to continue as a going concern using financial forecasts of 12 months to ensure the Company has adequate capital to meet its financial obligations.

# BOND RESOURCES INC.

## Notes to the Consolidated Financial Statements

For the period from January 15, 2020 (date of incorporation) to June 30, 2020  
(all amounts are expressed in United States dollars)

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### 1. Nature of Operations and Going Concern *(continued)*

#### *Common control transaction*

On January 15, 2020, MJ Mining completed the acquisition of all the issued and outstanding shares of MJ Mining Corp. ("Mining Corp."), an entity under common control. Management determined that the acquisition of Mining Corp. did not meet the definition of a business in accordance with IFRS 3 Business Combinations, as it did not have the inputs, processes and outputs required to meet the definition of a business. Accordingly, the acquisition has been accounted for as an asset acquisition. The fair value of the assets and liabilities acquired consisted of:

Cash	\$	360,394
Prepaid expenses	\$	15,000
Other receivables	\$	19,963
Property and equipment	\$	127,750
Due to shareholders	\$	(877,910)
<u>Net deficit</u>	<u>\$</u>	<u>(354,803)</u>

#### *Corona Virus Pandemic*

The novel coronavirus ("COVID-19") outbreak was declared a pandemic by the World Health Organization on March 11, 2020. This has resulted in significant economic uncertainty and governments worldwide are enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global financial markets have experienced significant volatility and weakness as a consequence of this economic uncertainty. The duration and impact of the COVID-19 outbreak is unknown as this time, as is the effectiveness of interventions by governments and central banks. The full extent of the impact on the Company's future financial results is uncertain given the length and severity of these developments cannot be reliably estimated but may impact the Company's ability to raise sufficient funds to complete planned activities on the Mary K Property and be compliant with the earn-in provisions.

### 2. Basis of Presentation

#### (a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), in effect on January 15, 2020. These consolidated financial statements represent the first financial statements of the Company prepared under IFRS. These consolidated financial statements were approved and authorized for issuance on October 26, 2020 by the Board of Directors.

#### (b) Basis of Presentation and Measurement

These consolidated financial statements have been prepared using the historical cost convention, except for certain financial instruments measured at fair value.

#### (c) Functional and Presentation Currency

The consolidated financial statements are presented in United States dollars, which is the functional currency of MJ Mining and MJ Mining Corp.

# BOND RESOURCES INC.

## Notes to the Consolidated Financial Statements

For the period from January 15, 2020 (date of incorporation) to June 30, 2020  
(all amounts are expressed in United States dollars)

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### 3. Significant Accounting Policies

#### (a) Cash

Cash consists of deposits held at a financial institution.

#### (b) Property and Equipment

Property and equipment is recorded at cost less accumulated depreciation and accumulated impairment loss. Property and equipment include costs to purchase and any costs directly attributable to bring the asset to its current location and condition necessary for its intended use including costs of dismantling and removing the item and restoring the site on which it is located.

Expenditures for additions and improvements are capitalized and expenditures for maintenance and repairs are charged to expense.

Depreciation is calculated using straight line depreciation method. Vehicles and machinery are depreciated at 20% and 14% respectively. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposition, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of property and equipment consists of major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

#### (c) Impairment

At the end of each reporting period the carrying amounts of the Company's non-financial assets are reviewed to determine whether there are any indications that the assets are impaired. The Company uses external factors, such as changes in expected future prices and costs, and other market factors to assess for indications of impairment. If any such indication exists an estimate of the asset's recoverable amount is calculated; being the higher of fair value less direct costs of disposal and the asset's value in use.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired, and an impairment loss is charged to profit or loss so as to reduce the carrying amount in the statement of financial position to its recoverable amount.

Fair value less costs of disposal is determined as the amount that would be obtained from the sale of assets in an arm's length transaction between knowledgeable and willing parties.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. Value in use is determined by applying assumptions specific to the Company's continued use and cannot take into account future development.

In testing for indications of impairment and performing impairment calculations, assets are considered as collective groups and referred to as cash generating units. Cash generating units are the smallest identifiable group of assets, liabilities and associated goodwill that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

# BOND RESOURCES INC.

## Notes to the Consolidated Financial Statements

For the period from January 15, 2020 (date of incorporation) to June 30, 2020  
(all amounts are expressed in United States dollars)

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### 3. Significant Accounting Policies *(continued)*

#### (d) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, exploration and evaluation activity, and the fair value, at the date of acquisition, of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained legal rights to explore an area are recognized in the profit or loss.

Acquisition costs, are only capitalized to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploration or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Exploration and evaluation assets are assessed for impairment if sufficient evidence exists to determine technical feasibility and commercial viability or facts and circumstances suggest the carrying amount exceeds the recoverable amount.

Once technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to the area of interest are first tested for impairment and then reclassified to mining property development assets within property and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependable on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

#### (e) Taxes

Tax on the profit or loss for the periods presented comprises current and deferred taxes. Tax is recognized in the statement of net loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting period, adjusted for any income tax reassessments from prior periods.

Deferred tax is provided in full, using the liability method based on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled.

Deferred tax assets are recognized for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

# BOND RESOURCES INC.

## Notes to the Consolidated Financial Statements

For the period from January 15, 2020 (date of incorporation) to June 30, 2020  
(all amounts are expressed in United States dollars)

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### 3. Significant Accounting Policies *(continued)*

#### (e) Taxes *(continued)*

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred taxes attributable to amounts recognized directly in equity are also recognized directly in equity.

#### (f) Loss per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the total net loss and comprehensive loss attributed to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting the number of shares for the effects of dilutive options and other dilutive potential units. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

#### (g) Financial Instruments

The Company recognizes financial assets and financial liabilities, including derivatives, on the statement of financial position when the Company becomes a party to the contract. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or when the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are removed from the financial statements when the liability is extinguished either through settlement of, or release from, the obligation of the underlying liability.

Financial assets, financial liabilities and derivatives are measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial instrument's classification, as described below.

##### Amortized cost

A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of the cash flows; and all contractual cash flows represent Solely Payment of Principal and Interest ("SPPI") on that principal. All financial liabilities are measured at amortized cost using the effective interest method (the amount of the bond discount is amortized to interest expense over the bond's life) except for liabilities incurred for the purposes of selling or repurchasing in the short-term liabilities, if they are held-for trading and those that meet the definition of a derivative.

Cash, due from shareholders and accounts payable and accrued liabilities are classified as assets or liabilities measured at amortized cost.

# BOND RESOURCES INC.

## Notes to the Consolidated Financial Statements

For the period from January 15, 2020 (date of incorporation) to June 30, 2020  
(all amounts are expressed in United States dollars)

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### 3. Significant Accounting Policies *(continued)*

#### (g) Financial Instruments *(continued)*

##### *Fair value through other comprehensive income ("FVTOCI")*

A financial asset shall be measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

##### *Fair value through profit or loss ("FVTPL")*

All financial assets that do not meet the definition of being measured at amortized cost or FVTOCI are measured at FVTPL, this includes all derivative financial assets. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. For financial assets and liabilities, the Company may make an irrevocable election to designate a financial instrument at FVTPL. If the election is made it is irrevocable, meaning that asset, liability, or group of financial instruments must be recorded at FVTPL until that asset, liability or group of financial instruments are derecognized. Financial assets and liabilities are offset and the net amount is reported on the statement of financial position when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

#### (h) Leases

At the 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. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether; The contract involves the use of an identified asset; The Company has the right to obtain substantially all the economic benefits from use of the identified asset throughout the period of use; and, The Company has the right to direct the use of the asset.

Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use. Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

# BOND RESOURCES INC.

## Notes to the Consolidated Financial Statements

For the period from January 15, 2020 (date of incorporation) to June 30, 2020  
(all amounts are expressed in United States dollars)

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### 3. Significant Accounting Policies *(continued)*

#### (i) Share Capital

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 asset. The Company's common shares, share warrants and share options are classified as equity instruments. Incremental costs, directly attributable to the issue of new shares, warrants or options, are shown in equity as a deduction, net of tax, from proceeds.

#### (j) Share-based Payments

Where equity-settled share options are awarded to employees or non-employees, the fair value of the options at the date of grant is charged to the Company's profit or loss over the vesting period. The number of equity instruments expected to vest at each reporting date, are taken into account so that the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modifications, is charged to the Company's profit or loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in the Company's profit or loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the Company's profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for effects of non-transferability, exercise restrictions and behavioural considerations. All equity-settled share based payments are reflected in equity reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in equity reserve is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and immediately recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent that the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

# BOND RESOURCES INC.

## Notes to the Consolidated Financial Statements

For the period from January 15, 2020 (date of incorporation) to June 30, 2020  
(all amounts are expressed in United States dollars)

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### 3. Significant Accounting Policies *(continued)*

#### (k) Share-based Payments *(continued)*

Where vesting conditions are not satisfied and options are forfeited, the Company reverses the fair value amount of the unvested options which had been recognized over the vesting period.

#### (l) Foreign Currency Translation

The functional currency of MJ Mining, the accounting parent, is the US dollar ("USD") and the functional currency of its accounting subsidiary Bond is the Canadian dollar ("CAD") (collectively "Functional Currency"). Foreign currency accounts are translated into the Functional Currency as follows:

- At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into the Functional Currency by the use of the exchange rate in effect at that date. At the period end date, unsettled monetary assets and liabilities are translated into the Functional Currency by using the exchange rate in effect at the period end.

Foreign exchange gains and losses are recognized in net earnings and presented in the Consolidated Statement of Loss and Comprehensive Loss in accordance with the nature of the transactions to which the foreign currency gains and losses relate, except for foreign exchange gains and losses from translating available-for-sale investments and marketable securities which are recognized in other comprehensive income as part of the total change in fair values of the securities. Unrealized foreign exchange gains and losses on cash and cash equivalent balances denominated in foreign currencies are disclosed separately in the Consolidated Statements of Cash Flows.

#### (m) Foreign Operations

The assets and liabilities of foreign operations with Functional Currencies differing from the presentation currency, including fair value adjustments arising on acquisition, are translated to USD at exchange rates in effect at the reporting date. The income and expenses of foreign operations with Functional Currencies differing from the presentation currency are translated into CAD at the year-to-date average exchange rates.

The Company's foreign currency differences are recognised and presented in other comprehensive income as a foreign currency translation reserve ("Foreign Currency Translation Reserve"), a component of equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

#### (n) Use of estimates and judgments

The preparation of financial statements requires management to make estimates and use judgment regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the statement of financial position and the reported amounts of expenses during the year. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future years could require a material change in the financial statements. Accordingly, actual results may differ from the estimated amounts as future confirming events occur. Adjustments are recorded in the current year as they become known.

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### 3. Significant Accounting Policies *(continued)*

#### (n) Use of estimates and judgments *(continued)*

##### *Accounting Judgments*

##### Exploration and evaluation assets

The Company applies significant judgments on the ongoing feasibility of mineral exploration, and whether there are indicators that the right to explore the specific area has or will expire, that further exploration and evaluation plans have changed, or whether development of a specific area is unlikely to recover existing exploration and evaluation property costs. If any of these indicators are present, management is required to perform an assessment of the recoverable amount of exploration and evaluation properties.

##### *Estimates*

##### Taxes

The calculations for current and deferred taxes require management's interpretation of tax regulations and legislation in the various tax jurisdictions in which the Company operates, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management's assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income.

##### Provisions

Management's determination of no material restoration, rehabilitation and environmental exposure is based on the facts and circumstances that existed during the period.

##### Contingencies

Management uses judgment to assess the existence of contingencies. By their nature, contingencies will only be resolved when one of more future events occur or fail to occur. Management also uses judgment to assess the likelihood of the occurrence of one or more future events.

##### Impairment

An impairment test requires the Company to determine the recoverable amount of an asset or group of assets. For non-current assets, including property and equipment and exploration and evaluation assets, the recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the individual assets are grouped together into a cash generating unit ("CGU") for impairment testing purposes. A CGU for impairment testing is typically considered to be an individual mine site or a development project. The Company has determined that it has one CGU based on its one project.

##### Depreciation

The amounts recorded for depreciation are based on estimates including economic life of the asset and residual values of the asset at the end of its economic life. The actual lives of the assets and residual values are assessed annually taking into account factors such as technological innovation and maintenance programs, estimated costs to develop and produce.

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### 4. Reverse Merger

On January 2, 2020, Bond entered into a definitive share-purchase agreement to purchase a 100% interest in MJ Mining. On May 15, 2020 the Transaction was completed. As a result of the Transaction, the Company issued 62,200,000 common shares to the shareholders of MJ Mining.

On closing of the Transaction, certain MJ Mining shareholders held a large minority voting interest of the Company and the Board of Directors was also comprised of some MJ Mining shareholders. As a result, the shareholders of MJ Mining controlled the Company. The Transaction constituted a Reverse Merger of Bond by MJ Mining.

Since Bond did not meet the definition of a business under IFRS 3, Business Combinations ("IFRS 3"), the acquisition was accounted for as the purchase of Bond's assets by MJ Mining. The consideration paid was measured as equity settled share-based payment under IFRS 2, Share based Payments ("IFRS 2"), being the fair value of the equity of Bond retained by the shareholders of MJ Mining based on the fair value of the Bond's common shares on the date of closing of the Reverse Merger.

For Reverse Merger accounting purposes, the percentage ownership of the shareholders of MJ Mining in the combined entity on completion of the Transaction was 79% (being 62,200,000 of the total 78,647,050 issued and outstanding shares of the Company on closing of the Transaction). Based on the share price of the Bond prior to the Reverse Merger of CAD\$0.20 per share, the consideration received by the shareholders of MJ Mining amounted to CAD\$12.44 million.

The accounting of the purchase price payable pursuant to the Agreement is the cost to acquire Bond's share capital and outstanding options at the fair value at the time of the transaction. The fair value is calculated as CAD\$2,916,210, being the cost of acquiring the 14,581,050 outstanding common shares of Bond at CAD\$0.20, the post-closing trading price of those shares and fair value of the stock options at the date of the time of the transaction calculated using the Black Scholes method, the details of which are as follows:

Fair value of consideration:	
14,581,050 shares @ \$0.20 per share	\$ 2,069,051
1,866,000 shares @ 0.20 per share	264,785
555,000 options, exercisable at \$0.10	39,377
196,000 options, exercisable at \$0.10	13,906
212,820 warrants, exercisable at \$0.10	15,100
<b>Total consideration</b>	<b>\$ 2,402,219</b>
Net assets acquired	
Cash	\$ 1,051,986
Amounts receivable	35,524
Prepaid	79,469
Amounts payable	(28,643)
<b>Net assets</b>	<b>\$ 1,138,336</b>
<b>Excess of consideration over net assets required</b>	<b>\$ 1,263,883</b>

The net assets of Bond were included at their fair value (equal to the net carrying value of the assets).

# BOND RESOURCES INC.

## Notes to the Consolidated Financial Statements

For the period from January 15, 2020 (date of incorporation) to June 30, 2020  
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### 5. Related Party Transactions

During the period ended June 30, 2020, Bond incurred management fees totalling \$102,840 from officers of the Company and operational expenses for accounting, office and legal and corporate services of \$9,968 from companies controlled by an officer and the corporate secretary of the Company. Shareholder communication expenses of \$4,394 were charged to the Company by a person related to a director for services rendered. Included in Bond's trade and other payables at June 30, 2020 is \$26,666 owed to officers for management fees. On May 25, 2020 the Company granted 4,030,000 options, of which 2,950,000 options were granted to key management personnel, the fair value of these stock options was \$475,800. As at June 30, 2020, \$119,079 was owed to the Company from an officer and a director for subscriptions receivable. These amounts were collected by the Company subsequent to June 30, 2020. Transactions with related parties are recognized in the normal course of operations and are recorded at exchange value.

Subsequent to June 30, 2020, the CEO advanced \$100,000 to the Company as an unsecured, non-interest bearing loan due February 28, 2021.

### 6. Property and Equipment

	Mining equipment	Vehicles	Total
<b>Cost</b>			
Additions	\$ 497,208	\$ 24,769	\$ 521,977
<b>Accumulated Depreciation</b>			
Depreciation	(34,619)	(1,725)	(36,344)
<b>Net Carrying Amount, June 30, 2020</b>	<b>\$ 462,589</b>	<b>\$ 23,044</b>	<b>\$ 485,633</b>

Included in mining equipment additions is equipment acquired from a shareholder having a value of \$360,000 based on an external valuation report. As consideration, 23,400,000 common shares were issued.

### 7. Exploration and Evaluation Assets

	Total
<b>Acquisition Costs:</b>	
Balance, January 15, 2020	\$ -
Mineral lease contract <i>Mary K Property</i>	786,018
Reclamation bond	26,770
Balance, June 30, 2020	\$ 812,788
<b>Total Exploration and evaluation assets, June 30, 2020</b>	<b>\$ 812,788</b>

# BOND RESOURCES INC.

## Notes to the Consolidated Financial Statements

For the period from January 15, 2020 (date of incorporation) to June 30, 2020  
(all amounts are expressed in United States dollars)

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### 7. Exploration and Evaluation Assets (continued)

#### *Mary K Property*

MJ Mining, through its US subsidiary MJ Mining Corp., has been granted the exclusive option to acquire, over a period of ten years, the right, title and interest in and to the Mary K Property, free and clear of all charges, encumbrances, claims, royalties, or other interests except for a 5% State Royalty, for a total purchase price of \$8,650,000 (the "Purchase Price") as follows:

- a) \$500,000 payable based upon the "Initial Closing", defined as April 10, 2020, as follows:
  - \$50,000 towards land purchase (paid);
  - \$350,000 on Initial Closing (paid);
  - \$100,000 on May 10, 2020 (paid); and
  - \$100,000 (paid) June 10, 2020.
  
- b) The balance of the Purchase Price, \$8,150,000 will be paid as a Net Profit Royalty ("NPR"), paid on a quarterly basis and will vary depending on the grade of gold realized from operations as follows:
  - if the gold grade is 1.0 ounce per ton or greater, the NPR will be 50%;
  - if the gold grade is between 0.25-0.9999 ounces per ton, the NPR will be 30%; or
  - if the gold grade is less than 0.25 ounces per ton, the NPR will be 10%.

The Net Profits Royalty is also subject to certain minimum annual payments of:

- at least \$200,000 per year commencing in 2020;
- at least \$4,075,000 must be paid, in aggregate, after five years; and
- at least \$8,150,000 must be paid, in aggregate, after 10 years.

Due to the consideration being payable over time, the parties have agreed to a two-phase closing of the Transaction. Subject to approval from the Idaho Department of Lands, the Company will be subleasing the rights starting on the Initial Closing date and continuing until the earlier of the Final Closing Date or the date the agreement is terminated by the Company. If the agreement is not terminated by the Company, on or before the Final Closing Date the lease will be terminated, and the Vendors will assign their rights of the Mary K Mine to the Company.

On March 10, 2020, MJ Mining entered into a ground lease ("Ground Lease") with certain arm's length parties ("Vendors") for a mineral lease located in the State of Idaho ("Mary K Mine"). The term of this Ground Lease commences on April 1, 2020 and expires at the end of the tenth full lease year. MJ Mining will pay fixed rent in advance on the first day of each calendar quarter of \$26,000.

In exchange for MJ Mining's payment of non-refundable fees of \$350,000, MJ Mining was granted an option to purchase the Mary K Property during the term of this lease (see above).

On March 11, 2020, MJ Mining entered into a mineral sublease ("Sublease") for the Mary K Mine. The term of this Sublease commences on March 11, 2020 and expires on February 28, 2022.

# BOND RESOURCES INC.

## Notes to the Consolidated Financial Statements

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### 8. Share Capital

(a) Authorized

Unlimited number of common shares without nominal or par value.  
Unlimited number of preferred shares, issuable in series

(b) Issuances

Included in issued common shares is proceeds of \$119,079 which was received subsequent to the year end.

Prior to May 15, 2020, Bond had issued 14,581,050 shares which were remeasured at fair value when the Reverse Merger took place. At CAD\$0.20 the amount totalled \$2,069,051. In addition, Bond has 936,820 options that were revalued using the Black Scholes method at CAD\$0.10 at the date of the Reverse Merger, totalling \$68,383. 1,866,000 shares were issued to Mackie for a 3% finders fee in relation to the Reverse Merger. The fee was valued at CAD\$0.20 totalling \$264,785.

Mining equipment with a value of \$360,000 was acquired from a shareholder (note 6). As consideration, 23,400,000 common shares were issued by MJ Mining prior to the Reverse Merger. Services rendered valued at \$224,315 were received, as consideration 14,580,475 common shares were issued by MJ Mining prior to the Reverse Merger.

On January 24, 2020, MJ Mining offered 7,019,525 common shares for cash with aggregate gross proceeds of \$150,000. On January 30, 2020, MJ Mining completed a private placement offering of 16,500,000 common shares or aggregate gross proceeds of \$1,139,940. MJ Mining paid \$60,000 in finder's fees.

On February 19, 2020 MJ Mining completed a private placement offering of 4,000,000 common shares for aggregate gross proceeds of \$240,000. On March 30, 2020 MJ Mining completed a private placement offering of 500,000 common shares for aggregate gross proceeds of \$50,000.

(c) Warrants

A summary of the Company's outstanding share purchase warrants is presented below:

Number of Shares	Exercise Price CAD	Expiry Date
56,000	\$0.15	August 28, 2020
140,000	\$0.20	May 2, 2021
4,045,525	\$0.40	March 31, 2022
212,820	\$0.40	March 31, 2022
250,000	\$0.40	April 16, 2022
70,000	\$0.40	April 30, 2022
<b>4,774,345</b>	<b>\$0.39</b>	

Subsequent to June 30, 2020, 56,000 warrants were exercised to acquire common shares at CAD\$0.15 per common share for proceeds of CAD\$8,400.

# BOND RESOURCES INC.

## Notes to the Consolidated Financial Statements

For the period from January 15, 2020 (date of incorporation) to June 30, 2020  
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### 8. Share Capital (continued)

#### (d) Share based payments

The Company, in accordance with the policies of the Exchange, is authorized to grant share purchase options to directors, officers, employees and service providers to acquire up to 10% of common shares then outstanding (the "Plan"). Under the Plan, options may be granted at no less than the closing market price of the Company's shares on the day preceding the grant for a maximum term of 10 years.

No amounts are paid or payable by the recipient on receipt and the options are not dependent on any performance-based criteria. Share purchase options will vest when granted except where granted for investor relations activities which vest and may be exercised in accordance with the vesting provisions as to 1/4 of the options each 3 months.

On May 25, 2020, the Company granted 4,030,000 stock options at a price of CAD\$0.30 exercisable for a period of five years. Share based compensation includes \$650,000 calculated as the fair value of the stock options.

The fair value of stock options above were determined using the Black-Scholes model with the following assumptions:

Grant date	May 25, 2020
Exercise price	CAD\$0.30
Expected life	5 years
Expected forfeiture rate	0.00%
Expected dividend yield	0.00%
Expected annual volatility	100.00%
Risk free rate	0.36%

A summary of the Company's outstanding stock options is presented below:

Number of Shares	Exercise Price CAD	Expiry Date
555,000	\$0.20	June 24, 2024
4,030,000	\$0.30	May 25, 2025
<b>4,585,000</b>	<b>\$0.29</b>	

Subsequent to June 30, 2020, 140,000 options were exercised to acquire common shares at CAD\$0.20 per common share for proceeds of CAD\$28,000.

# BOND RESOURCES INC.

## Notes to the Consolidated Financial Statements

For the period from January 15, 2020 (date of incorporation) to June 30, 2020  
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### 9. Tax

The net income tax provision for the period ended June 30, 2020 differs from that expected by applying the Canadian federal and provincial corporate rate due to the following:

Net Loss before taxes	\$	(3,074,506)
Statutory tax rate		27%
Expected income tax recovery		(830,100)
Increase (decrease) in taxes:		
Impact of foreign statutory rates		137,500
Non-deductible expenses		378,000
Share issue costs		(12,600)
Tax benefit not recognized		327,200
Income tax expense	\$	-

Deferred income tax assets have not been recognized in Canada and the United States at June 30, 2020 in respect of the following temporary differences:

Non-capital losses	\$	356,000
Property and equipment		8,000
Exploration and evaluation assets		27,000
Share issue costs		21,000
Unrecognized deferred tax assets		(412,000)
Deferred income tax assets	\$	-

The Company's non-capital loss carryforwards balance is available to reduce future years' taxable income and, if not fully utilized, will commence to expire between fiscal years 2038 to 2040.

### 10. Financial Instruments and Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

#### (a) Credit risk

Credit risk arises from the possibility that a counterparty to which the Company provides goods or services is unable or unwilling to fulfill their obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash. The Company limits its exposure to credit risk by dealing with well rated entities. Management believes credit risk to be low as its cash which is held in a major financial institution in the United States and amounts due from shareholders have been received subsequent to the year end.

# BOND RESOURCES INC.

## Notes to the Consolidated Financial Statements

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### 10. Financial Instruments and Risk Management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is through regular monitoring of cash requirements by preparing short-term and long-term cash flow analyses. When necessary, the Company obtains financing from various investors to ensure all future obligations are fulfilled. The Company does not have any contractual obligations other than property payments (note 7) and accounts payable and accrued liabilities which are due within the next 12 months. The Company has current assets of \$577,829 to settle obligations of \$118,106.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of market price changes: foreign currency exchange rates, interest rates and commodity prices.

*i. Foreign currency exchange risk*

Bond is exposed to foreign currency exchange rate fluctuations as the Company conducts all of its business in Canada.

*ii. Interest rate risk*

Interest rate risk is the risk of change in the borrowing rates of the Company. The Company does not have any exposure to changes in interest rates and is therefore not exposed to this risk.

*iii. Commodity price risk*

Commodity price risk is the risk of price volatility of commodity prices, such as mineral prices. Currently the Company does not have commercial operations and is therefore not exposed to this risk. Commodity prices generally fluctuate beyond the control of the Company. Factors which contribute to the fluctuation are, but not limited to, demand, forward sales, worldwide production, speculative hedging activities, and bank lending rates.

(d) Fair value of financial instruments

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the financial instrument:

- Level 1 fair value measurements are those derived from quoted prices (adjusted) in the active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The carrying value of cash, due from shareholders and accounts payable and accrued liabilities approximates fair value due to the short-term nature.

# **BOND RESOURCES INC.**

## **Notes to the Consolidated Financial Statements**

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### **11. Capital Management**

The Company manages its capital in a manner consistent with the risk characteristics of the assets it holds. All financing, including equity and debt, are analyzed by management and approved by the Board of Directors.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and provide returns for shareholders and to facilitate the development of its core business.

The Company considers shareholders' equity to be capital of the Company. The Company does not have any externally imposed restrictions on its capital.