# RAIN CITY RESOURCES INC.

## CONDENSED INTERIM FINANCIAL STATEMENTS

## FOR THE SIX MONTH PERIOD ENDED MARCH 31, 2021 AND 2020

## (UNAUDITED)

**Notice of No Auditor Review of Condensed Interim Financial Statements**

The accompanying unaudited condensed interim financial statements have been prepared by management and approved by the Audit Committee.

The Company’s independent auditors have not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of financial statements by an entity’s auditors.

**RAIN CITY RESOURCES INC.**
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**
(Expressed in Canadian dollars)

| | March 31, 2021 (Unaudited) | September 30, 2020 (Audited) |
|---|---|---|
| **ASSETS** | | |
| CURRENT | | |
| Cash | $ 76 | $ 107,727 |
| Amount receivable | 10,680 | 5,286 |
| Marketable securities (Note 5) | 226,818 | - |
| Loan receivable (Note 6) | 30,000 | 35,000 |
| | 267,574 | 148,013 |
| Exploration and evaluation assets (Note 7) | 193,680 | 176,680 |
| | $ 461,254 | $ 324,693 |
| **LIABILITIES** | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | $ 64,393 | $ 15,396 |
| | 64,393 | 15,396 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital (Note 8) | 768,568 | 761,568 |
| Contribution surplus | 58,165 | 58,165 |
| Deficit | (429,872) | (510,436) |
| Total equity attributable to shareholders of the company | 396,861 | 309,297 |
| | $ 461,254 | $ 324,693 |

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

Approved and authorized for issue on behalf of the Board on May 28, 2021

*"Christopher Reyolds"* Director *"Geoff Hultin"* Director

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

**RAIN CITY RESOURCES INC.**
**CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME AND LOSS**
(Expressed in Canadian dollars)

| | Three months ended March 31, 2021 (Unaudited) | Three months ended March 31, 2020 (Unaudited) | Six month ended March 31, 2021 (Unaudited) | Six month ended March 31, 2020 (Unaudited) |
|---|---|---|---|---|
| **EXPENSES** | | | | |
| Accounting fee | $ 8,200 | $ 27,647 | $ 14,735 | $ 42,000 |
| Bank charges | 159 | 18 | 459 | 735 |
| Management fees | 8,000 | - | 36,000 | 13,500 |
| Office | - | 128 | - | 670 |
| Professional fees | 23,039 | 12,893 | 23,067 | 13,524 |
| Rent | - | 10,451 | - | 16,052 |
| Transfer agent and filing fees | 3,082 | 4,953 | 6,106 | 7,101 |
| Travel and promotion | - | 4,763 | - | 13,361 |
| | 42,480 | 60,853 | 80,367 | 106,943 |
| LOSS BEFORE OTHER ITEMS | (42,480) | (60,853) | (80,367) | (106,943) |
| **OTHER ITEMS** | | | | |
| Interest income | 844 | - | 1,815 | - |
| Realized gain on sale of marketable securities | 39,453 | - | 31,050 | - |
| Unrealized gain on marketable securities | 106,469 | - | 108,756 | - |
| BC Mining Exploration tax credit | - | - | 19,310 | - |
| | 146,766 | - | 160,931 | - |
| NET PROFIT (LOSS) AND COMPREHENSIVE INCOME (LOSS) | 104,286 | (60,853) | 80,564 | (106,943) |
| PROFIT (LOSS) PER COMMON SHARE (basic and diluted) | $ 0.00 | $ (0.00) | $ 0.00 | $ (0.00) |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING | 15,701,021 | 12,351,639 | 15,701,021 | 12,351,639 |

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

**RAIN CITY RESOURCES INC.**
**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY**
(Expressed in Canadian dollars)

(Unaudited)

| | Common Shares | | | | |
|---|---|---|---|---|---|
| | Number of Shares | Amount | Contributed Surplus | Deficit | Total |
| | | $ | $ | $ | $ |
| Balance, September 30, 2019 | 11,950,001 | 422,504 | 56,389 | (320,249) | 158,644 |
| Net loss for the period | - | - | - | (106,943) | (106,943) |
| Balance, March 31, 2020 | 11,950,001 | 422,504 | 56,389 | (427,192) | 51,701 |
| | | | | | |
| Balance, March 31, 2020 | 11,950,001 | 422,504 | 56,389 | (427,192) | 51,701 |
| Shares issued for cash | 5,430,000 | 262,500 | - | - | 262,500 |
| Shares issuance costs | - | (5,000) | - | - | (5,000) |
| Fair value of broker warrants issues | - | (1,776) | 1,776 | - | - |
| Shares issued for debt | 1,209,000 | 72,540 | - | - | 72,540 |
| Warrants exercised | 180,000 | 10,800 | - | - | 10,800 |
| Net loss for the period | - | - | - | (83,244) | (144,097) |
| Balance, September 30, 2020 | 18,589,001 | 761,568 | 58,165 | (510,436) | 309,297 |
| | | | | | |
| Balance, September 30, 2020 | 18,589,001 | 761,568 | 58,165 | (510,436) | 309,297 |
| Shares issued for mineral property | 100,000 | 7,000 | - | - | 7,000 |
| Net profit for the period | - | - | - | 80,564 | 80,564 |
| Balance, March 31, 2021 | 18,689,001 | 768,568 | 58,165 | (429,872) | 396,861 |

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

**RAIN CITY RESOURCES INC.**
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**
(Expressed in Canadian dollars)

| | (Unaudited) March 31, 2021 | (Unaudited) March 31, 2020 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net profit (loss) for the period | $ 80,564 | $ (46,090) |
| Item not involving cash: | | |
| Realized gain on sale of marketable securitie | (31,050) | - |
| Unrealized gain on marketable securities | (108,756) | - |
| Changes in non-cash working capital balances: | | |
| (Increase) decrease in amounts receivable | (5,394) | 9,092 |
| Increase (decrease) in accounts payable | 48,997 | (1,500) |
| Prepaid expenses and deposits | - | 43,743 |
| Increase in loan receivable | 5,000 | 1,000 |
| Cash (Used in) provided by operating activities | (10,639) | 6,245 |
| **INVESTING ACTIVITIES** | | |
| Purchase of marketable securities | (87,012) | - |
| Exploration and evaluation assets | (10,000) | - |
| Cash used in investing activities | (97,012) | - |
| (DECREASE) INCREASE IN CASH | (107,651) | 6,245 |
| CASH, BEGINNING OF PERIOD | 107,727 | 4,875 |
| CASH, END OF PERIOD | $ 76 | $ 11,120 |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Rain City Resources Inc. (the "Company") was incorporated on June 23, 2015 under the laws of British Columbia. The address of the Company's corporate office and its principal place of business is Suite 3043-595 Burrard Street, Vancouver, British Columbia, Canada.

The Company's principal business activities include the acquisition and exploration of mineral property assets. As at March 31, 2021, the Company had not yet determined whether the Company's mineral property assets contain ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the property or realizing proceeds from its disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

As at March 31, 2021, the Company had a profit of $85,064 (2019 – deficit $106,943), which has been funded by the issuance of equity. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

The outbreak of the Coronavirus Disease 2019, or COVID-19, has spread across the globe and is impacting worldwide economic activity. This global pandemic poses the risk that the Company or its clients, employees, contractors, suppliers, and other partners may be unable to conduct regular business activities for an indefinite period of time. At this point, the impact on the Company has been minimal. The Company continues to monitor the situation and is taking all necessary precautions in order to follow rules and best practices as set out by the federal and provincial governments.

## 2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized for issue in accordance with a resolution from the Board of Directors on May 28, 2021.

b) Basis of presentation

The financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value, as explained in the accounting policies set out below. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Cash equivalents

Cash equivalents in the statements of financial position is comprised of short term deposits with an original maturity of six months or less, which are readily convertible into a known amount of cash.

d) Exploration and evaluation assets

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against projected income using the units-of-production method over estimated recoverable reserves.

Management annually assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if the property has been abandoned, there are unfavourable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development, which exceeds three years. In the event that estimated discounted cash flows expected from its use or eventual disposition is determined by management to be insufficient to recover the carrying value of the property, the carrying value is written-down to the estimated recoverable amount.

The recoverability of mineral properties and exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

e) Share-based payments

Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity settled share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Share-based payments expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

The fair value of warrants issued to agents in connection with private placements (“Agent Warrants”) is recognized on the date of issue as a share issue cost. The Company uses the Black Scholes option pricing model to estimate the fair value of Agent Warrants issued.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the liability associated with the renounced tax deductions is recognized through profit and loss with a pro-rata portion of the deferred premium.

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

g) Decommissioning, restoration and similar liabilities

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development 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 for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects 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 units-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is immaterial.

h) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Share issuance costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are expensed.

j) Share capital

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

The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to capital stock based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in capital stock and the related residual value is transferred from warrant reserve to capital stock.

k) Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

l) Financial instruments

Financial Assets
On initial recognition financial assets are classified as measured at:

i. Amortized cost;
ii. Fair value through profit and loss ("FVTPL"); and
iii. Fair value through other comprehensive income ("FVOCI").

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Financial instruments (continued)

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification:

i. Amortized cost
Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the
asset is derecognized or impaired. Interest income from these financial assets is included as finance income using the effective interest rate method.

The Company's loan receivable is classified at amortized cost.

ii. FVOCI
Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included as finance income using the effective interest rate method.

The Company does not have any assets classified at FVOCI.

iii. FVTPL
Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the Statement of Loss and Comprehensive Loss in the period in which it arises.

The Company's cash is classified at FVTPL.

Financial Liabilities and Equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as measured at (i) FVTPL; or (ii) amortized cost.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Financial instruments (continued)

A financial liability is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI and the remaining amount of the change in the fair value is presented in profit or loss.

The Company does not classify any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

The Company classifies its accounts payable at amortized cost.

A financial liability is derecognized when the contractual obligation under the liability is discharged, cancelled or expires or its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

*Significant accounting estimates*

i. the assessment of indications of impairment of the mineral property and related determination of the net realizable value and write-down of the mineral property where applicable; and

ii. the inputs used in accounting for share-based payments.

*Significant accounting judgments*

i. the determination of categories of financial assets and financial liabilities;

ii. the evaluation of the Company's ability to continue as a going concern; and

iii. the measurement of deferred income tax assets and liabilities

## 4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Company adopted the following new standards effective October 1, 2019:

Leases – On October 1, 2019, the Company adopted IFRS 16 –Leases (“IFRS 16”) which replaced IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applied in IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets.

The adoption of IFRS 16 on October 1, 2019 did not have an impact on the Company’s financial statements.

## 5. MARKETABLE SECURITIES

The Company holds common shares and warrants in various public companies. The common shares are classified as FVTPL and are recorded at fair value using the quoted market price as at March 31, 2021 and are therefore classified as Level 1 within the fair value hierarchy.

The warrants are classified as FVTPL and are recorded at fair value using a Black-Scholes option pricing model using observable inputs and are therefore classified as Level 2 within the fair value hierarchy.

(Expressed in Canadian dollars) (Unaudited)

## 5. MARKETABLE SECURITIES (continued)

Continuity for the periods ended March 31, 2021

| | Balance September 30, 2020 | Additions | Disposals | Realized gain (loss) on disposals | Cost Balance, March 31, 2021 | Unrealized gain (loss) on changes in fair value | FMV Balance, March 31, 2021 |
|---|---|---|---|---|---|---|---|
| **Common shares – Level 1** | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| Blocplay Management Inc | - | 151,837 | (60,381) | 26,606 | 118,062 | 108,756 | 226,818 |
| Coupour Minerals | - | 100,058 | (85,890) | (14,168) | - | - | - |
| Essex Minerals Inc | - | 55,219 | (53,425) | (1,794) | - | - | - |
| Origen Resources Inc | - | 58,960 | (78,151) | 19,191 | - | - | - |
| Opawica Explorations Inc | - | 33,018 | (34,232) | 1,214 | - | - | - |
| Total | - | 399,092 | (312,079) | 31,049 | 118,062 | 108,756 | 226,818 |

(Expressed in Canadian dollars) (Unaudited)

## 6. LOAN RECEIVABLE

Pursuant to a loan agreement dated September 9, 2020, between the Company as lender and Orogenic Regional Exploration Ltd. ("ORE") as borrower, the Company agreed to lend up to $35,000 (the "Loan") to ORE on terms that the Loan plus accrued interest at 10.0% per annum shall be payable on demand after September 9, 2021. On March 19, 2021, ORE has repaid $5,000 to the Company.

## 7. EXPLORATION AND EVALUATION ASSET

| | Acquisition Costs | Exploration Costs | Total |
|---|---|---|---|
| | $ | $ | $ |
| Balance, September 30, 2019 | 20,000 | 156,680 | 176,680 |
| Acquisition and exploration costs | 37,000 | 1,500 | 38,500 |
| Write off of mineral property | (20,000) | (1,500) | (21,500) |
| Balance, September 30, 2020 | 37,000 | 156,680 | 193,680 |
| Balance, March 31, 2021 | 37,000 | 156,680 | 193,680 |

**Northern Champion Project**

Pursuant to an option agreement (the "Agreement") dated October 25, 2016, the Company was granted an option to acquire a 100% undivided interest in the Northern Champion Project (the "Property") located near Champion Creek, south-west of Tulameen, Princeton area British Columbia.

In accordance with the Agreement, the Company has the option to acquire a 100% undivided interest in the Property by issuing a total of 700,000 common shares of the Company to the Optionors, making cash payments totaling $130,000, and incurring a total of $650,000 in exploration expenditures as follows:

| | Number of Common Shares | Cash | Exploration Expenditure |
|---|---|---|---|
| | | $ | $ |
| Upon execution of the Agreement (paid and incurred) | - | 5,000 | 75,000** |
| Upon listing of the Company's common shares on a Canadian Stock Exchange (issued and paid) | 100,000 | 5,000 | - |
| On or before the first anniversary of the Listing | 100,000 | 10,000 | 75,000 |
| On or before the second anniversary of the Listing | 100,000 | 20,000 | 100,000 |
| On or before the third anniversary of the Listing | 200,000 | 40,000 | 200,000 |
| On or before the fourth anniversary of the Listing | 200,000 | 50,000 | 200,000 |
| Total | 700,000 | 130,000 | 650,000 |

** the $75,000 is for the first year from the execution date.

The Optionors will retain a 3% Net Smelter Returns royalty on the Property. The Company has the right to purchase the first 1% of the royalty for $750,000 and the remaining 2% for $1,000,000 at any time prior to the commencement of commercial production. As at December 31, 2020, the Company had not paid $10,000 in cash nor have they issued 100,000 common shares that were due on or before first anniversary of the listing on April 25, 2019.

On January 26, 2021, the Company had paid the $10,000 in cash and issued 100,000 common shares that were due on or before the first anniversary of the listing on April 25, 2019.

(Expressed in Canadian dollars) (Unaudited)

## 8. SHARE CAPITAL

a) Authorized:

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

b) Escrow Shares:

The Company entered into an escrow agreement, whereby 2,250,003 common shares will be held in escrow and are scheduled for release in accordance with the terms of the escrow agreement.

b) Issued and Outstanding as at March 31, 2021 – 18,689,001 (2019 - 11,950,001) common shares.

For the period ended March 31, 2021, the Company had the following share capital transactions:

(i) The Company issued 5,250,000 units at a price of $0.05 per unit. Each unit consists of one common share of the Company and one share purchase warrant with each warrant exercisable at a price of $0.06 per share for a period of one year from the date of issuance. Pursuant to the private placement, the Company paid share issuance cost of $5,000 and issued 100,000 broker warrants. The fair value of the broker warrants was $1,776 and was estimated using the Black-Scholes pricing model with the following assumptions:

| | **2020** |
|---|---|
| Risk free interest rate | 0.27% |
| Expected life | 1 year |
| Expected volatility | 115% |
| Expected dividends | 0% |

(ii) The Company issued 180,000 common shares upon the exercise of warrants at a price of $0.06 per common share for gross proceeds of $10,800.

(iii) The Company issued 1,209,000 common shares as settlement of debt in the amount of $60,450 resulting in an unrealized loss of $12,090.

For the period ended December 31, 2019, the Company had the following share capital transactions:

(i) The Company issued 4,000,000 common shares at a price of $0.10 per unit for a total gross proceeds of $400,000 through its initial public offering (the "IPO"). In connection with the IPO, the Company paid a certain arm's length finder (the "Finder") a finder's fee of $32,000. Additionally, the Company issued 320,000 non-transferable Common Share purchase warrants ("Finders Warrants") exercisable to acquire 320,000 common shares, equal to 8% of the number of units issued in the IPO to arms' length purchases that were introduced to the Company by the Finder. Each Finder's Warrant has an exercise price of $0.10 per common share and expires 2 years from the date of issuance.

The fair value of the Finders Warrants was $18,889 and was estimated using the Black-Scholes pricing model with the following assumptions:

| | **2019** |
|---|---|
| Risk free interest rate | 1.56% |
| Expected life | 2 years |
| Expected volatility | 115% |
| Expected dividends | 0% |

(Expressed in Canadian dollars) (Unaudited)

## 8. SHARE CAPITAL (continued)

c) Warrants:

During the year ended September 30, 2020, the Company issued 5,250,000 warrants and 100,000 broker warrants in relation to the private placement noted in Note 7 (c), of which 180,000 warrants were exercised at a price of $0.06.

| | Number of warrants | Exercise price | Expiry date |
|---|---|---|---|
| Balance, September 30, 2019 | 320,000 | 0.10 | - |
| Issuance | 5,350,000 | 0.06 | June 11, 2021 |
| Exercised | (180,000) | 0.06 | - |
| Balance, September 30, 2020 | 5,490,000 | 0.06 | |
| Balance, March 31, 2021 | 5,490,000 | 0.06 | |

The following assumptions were used for the Black-Scholes valuation of warrants issued:

| <u>2020</u> | |
|---|---|
| Share price | $0.15 |
| Risk free interest rate | 0.25% |
| Expected life | 1 year |
| Dividend rate | 0% |
| Annual volatility | 115% |

The fair value per agent’s warrant issued is $0.11

## 9. RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Management fees and share-based payments were incurred from a director and a company owned by a director of the Company. Key management includes directors and key officers of the Company, including the President, Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”).

As at March 31, 2021, an amount of $44,747 (2019 - $15,750) included in accounts payable was due to companies controlled by the former CEO and CFO of the Company.

The Company had incurred the following key management personnel cost from related parties:

| | 2021 | 2020 |
|---|---|---|
| | $ | $ |
| Management fees | 36,000 | 13,500 |

## 10. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its resource property. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, contributed surplus and deficit as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

## 11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair Value of Financial Instruments

The Company's financial assets include cash and are classified as Level 1. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

Assets measured at fair value on a recurring basis were presented on the Company's statement of financial position as at March 31, 2021 are as follows:

| | Fair Value Measurements Using | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets For Identical Instruments (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| | $ | $ | $ | $ |
| Cash | 55 | – | – | 55 |

Financial risk management objectives and policies

The Company's financial instruments include cash and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

## 11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

(i) *Currency risk*

The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada and current exposure to exchange rate fluctuations is minimal.

The Company does not have any significant foreign currency denominated monetary liabilities. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

(ii) *Interest rate risk*

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) *Credit risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places these instruments with a high quality financial institution.

(iv) *Liquidity risk*

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

## 12. COMMITMENT

The Company is committed to certain cash payments, common share issuances and exploration expenditures as described in Note 7.

## 13. SUBSEQUENT EVENTS

I. On April 14, 2021, the Company has arranged for a non brokered private placement (the "Private Placement") of up to 10,000,000 units of securities of the Company ("Units") at a purchase price of $0.06 per Unit for aggregate gross proceeds of $600,000. Each Unit will be comprised of one common share in the capital of the Company (a "Common Share") and one-half Common Share purchase Warrant. Each whole warrant will entitle the holder to purchase one additional Common Share (a "Warrant Share") at an exercise price of $0.075 at any time up to 60- months following issuance.

## 13. SUBSEQUENT EVENTS (continued)

II. On April 21, 2021, the Company has entered into an option agreement with an arm's-length party to acquire an undivided 100% interest in the Bro Property, Yukon.

The Bro Property can be acquired for aggregate consideration of CAD$3,000,000 over 3 years, with a 3% NSR reserved to the Vendor. The royalty can be bought out at a rate of CAD$2,000,000 per 1% at any time.

Payments in cash or stock to comprise a total CAD $2,500,000 as to the following:

- CAD$500,000 payable within 30 days of signing
- CAD$500,000 on first anniversary
- CAD$500,000 on second anniversary
- CAD$1,000,000 on third anniversary

Payments in cash to comprise a total CAD $500,000 as to the following:

- CAD$100,000 payable within 30 days of signing
- CAD$100,000 on first anniversary
- CAD$100,000 on second anniversary
- CAD$200,000 on third anniversary

The Company will be increasing and amending our non-brokered private placement (see News Release dated April 14, 2021) from 10,000,000 units up to 15,000,000 units of securities of the Company ("Units") and amending our purchase price to $0.05 per unit. Each Unit will be comprised of one common share in the capital of the Company (a "Common Share") and one-full Common Share purchase Warrant. Each whole warrant will entitle the holder to purchase one additional Common Share (a "Warrant Share") at an exercise price of $0.075 at any time up to 60-months following issuance.

III. On May 6, 2021, the Company has closed a nonbrokered private placement offering (the “Offering”) and issued 15,050,000 units. Each unit consists of one common share (each a “Common Share”) and one warrant exercisable at $0.075 for a period expiring 5 years after close (each a “Warrant”).

IV. 1300214 B.C. Ltd. (the “Acquiror”) acquired 10,000,000 units (each a “Unit”) of the Company on May 7, 2021. The Acquiror did not previously hold any securities of the Resulting Issuer. The Acquiror now controls 10,000,000 common shares, or 29.63% of the issued and outstanding common shares of the Company, prompting the filing of an early warning report on behalf of the Acquiror. Assuming exercise of the warrants held the Acquiror is the beneficial holder of 20,000,000 common shares of the Reporting Issuer holding approximately 45.72% of the Reporting Issuer’s Common Shares.

The common shares and warrants were acquired under a subscription agreement dated May 7, 20121 (the “Subscription Agreement”) for the purchase on a private placement basis of up to 10,000,000 Units of the Reporting Issuer at a price of $0.05 CAD for total cost of CAD $500,000. Each Unit consists of one common share (each a “Common Share”) and one Warrant exercisable at $0.075 for a period expiring 5 years after close (each a “Warrant”).

V. On May 25, 2021, the Company has acquired three million Crest Resources Inc. common shares at a price of 25 cents. In exchange, the company will issue 7,500,000 common shares at a price of $0.10 for equal value, which will have four (4) staggered releases over twenty-four (24) months.