

**79 RESOURCES LTD.**  
**Financial Statements**  
**For the year ended December 31, 2020**  
**Expressed in Canadian Dollars**

## 1 INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
79 Resources Ltd.

### *Opinion*

We have audited the accompanying financial statements of 79 Resources Ltd. (the "Company"), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the year ended December 31, 2020 and the period from incorporation on April 17, 2019 to December 31, 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the year ended December 31, 2020 and the period from incorporation on April 17, 2019 to December 31, 2019 in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

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

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 in the financial statements, which indicates that the Company has sustained losses from operations, and has an ongoing requirement for capital investment to explore its exploration and evaluation assets. As stated in Note 1, these material uncertainties may cast substantial doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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. We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements.

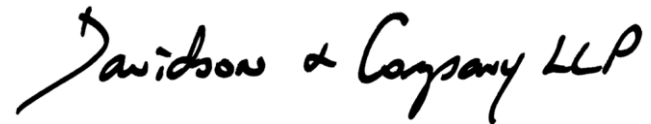
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Guy Thomas.

A handwritten signature in black ink that reads "Davidson & Caspary LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

April 19, 2021

**79 RESOURCES LTD.**Statements of Financial Position  
(Expressed in Canadian dollars)

	December 31, 2020	December 31, 2019
<b>ASSETS</b>		
Current assets		
Cash	\$ 143,602	\$ 65,044
Amounts recoverable	13,344	5,347
Deferred finance costs (Note 5)	-	10,000
	<u>156,946</u>	<u>80,391</u>
Non-current assets		
Exploration and evaluation assets (Note 3)	<u>143,729</u>	<u>121,544</u>
	<u>\$ 300,675</u>	<u>\$ 201,935</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 25,362	\$ 71,944
Due to related parties (Note 6)	1,649	3,000
	<u>27,011</u>	<u>74,944</u>
Shareholders' equity		
Share capital (Note 5)	543,767	184,751
Reserves (Note 5)	41,278	-
Deficit	<u>(311,381)</u>	<u>(57,760)</u>
	<u>273,664</u>	<u>126,991</u>
	<u>\$ 300,675</u>	<u>\$ 201,935</u>

**Nature of Operations and Going Concern (Note 1)**  
**Subsequent events (Note 11)**

Approved on Behalf of the Board of Directors:

"Gary Musil"

Director

"John Masters"

Director

The accompanying notes are an integral part of these financial statements

**79 RESOURCES LTD.**Statements of Loss and Comprehensive Loss  
(Expressed in Canadian dollars)

	Year ended December 31, 2020	Period from April 17 to December 31, 2019
<b>Expenses</b>		
Consulting fees	\$ 56,000	\$ 4,000
Management fees (Note 6)	30,000	15,000
Marketing and promotion	7,000	-
Office and miscellaneous	4,538	282
Professional fees (Note 6)	103,079	37,843
Regulatory and filing fees	27,813	-
Rent (Note 6)	1,200	-
Share-based payments (Notes 5 and 6)	22,544	-
Travel	1,447	635
	<hr/>	<hr/>
Loss and Comprehensive Loss for the Period	\$ (253,621)	\$ (57,760)
	<hr/>	<hr/>
Loss Per Share, Basic and Diluted	\$ (0.03)	\$ (0.01)
	<hr/>	<hr/>
Weighted Average Common Shares Outstanding (basic and diluted)	9,818,580	5,484,497

The accompanying notes are an integral part of these financial statements

**79 RESOURCES LTD.**Statements of Changes in Shareholders' Equity  
(Expressed in Canadian dollars)

	Share Capital		Share Based Payment Reserve	Deficit	Shareholders' Equity
	Shares	Amount			
<b>Balance at April 17, 2019 (date of incorporation)</b>	-	\$ -	\$ -	\$ -	\$ -
Shares issued for private placements	8,100,001	195,001	-	-	195,001
Share issuance costs	-	(12,250)	-	-	(12,250)
Shares issued for exploration and evaluations assets	100,000	2,000	-	-	2,000
Loss for the period	-	-	-	(57,760)	(57,760)
<b>Balance at December 31, 2019</b>	<b>8,200,001</b>	<b>184,751</b>	<b>-</b>	<b>(57,760)</b>	<b>126,991</b>
Shares for initial public offering	4,600,000	460,000	-	-	460,000
Share issued to finders	100,000	10,000	-	-	10,000
Warrants issued to brokers	-	-	24,370	-	24,370
Share issuance costs	-	(136,620)	-	-	(136,620)
Share-based payments	-	-	22,544	-	22,544
Option exercise	200,000	25,636	(5,636)	-	20,000
Loss for the year	-	-	-	(253,621)	(253,621)
<b>Balance at December 31, 2020</b>	<b>13,100,001</b>	<b>\$ 543,767</b>	<b>\$ 41,278</b>	<b>\$ (311,381)</b>	<b>\$ 273,664</b>

The accompanying notes are an integral part of these financial statements

**79 RESOURCES LTD.**

## Statement of Cash Flows

(Expressed in Canadian dollars)

	Year ended December 31, 2020	Period from April 17 to December 31, 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (253,621)	\$ (57,760)
Items not involving cash:		
Share-based payment	22,544	-
Net change in non-cash working capital items:		
Amounts recoverable	(7,997)	(5,347)
Accounts payable and accrued liabilities	(6,125)	31,488
Due to related parties	(1,351)	3,000
Net cash used in operating activities	<u>(246,550)</u>	<u>(28,619)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation acquisition	(10,000)	(7,673)
Exploration and evaluation asset expenditure	<u>(44,642)</u>	<u>(79,414)</u>
Net cash used in investing activities	<u>(54,642)</u>	<u>(87,087)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from initial public offering	460,000	-
Deferred finance cost	-	(10,000)
Exercise of options	20,000	-
Proceeds from private placements	-	195,000
Share issuance costs	(100,250)	(4,250)
Proceeds from loan payable	10,000	-
Repayment of loan payable	<u>(10,000)</u>	<u>-</u>
Net cash provided by financings activities	<u>379,750</u>	<u>180,750</u>
<b>Change in cash during the period</b>	<b>78,558</b>	<b>65,044</b>
<b>Cash, beginning of period</b>	<u>65,044</u>	<u>-</u>
<b>Cash, end of period</b>	<u>\$ 143,602</u>	<u>\$ 65,044</u>

**Non-cash investing and financing activities (Note 8)**

The accompanying notes are an integral part of these financial statements



## **79 RESOURCES LTD.**

Notes to the Financial Statements

(Expressed in Canadian dollars)

For the year ended December 31, 2020

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### **1. Nature and continuance of operations**

79 Resources Ltd. (the “Company”) was incorporated on April 17, 2019 under the laws of the Province of British Columbia, Canada, and its principal activity is the acquisition and exploration of mineral properties in Canada. The Company’s registered office, corporate office and principal place of business is Suite 1240 – 1040 West Georgia Street, Vancouver, BC, V6E 4H1.

On August 27, 2020, the Company completed its initial public offering (“IPO”) and became publicly listed on the Canadian Securities Exchange (“CSE”) and trades under the symbol “SNR”.

The Company is in the business of exploring its mineral exploration assets and has not yet determined whether these properties contain ore reserves that are economically recoverable. At December 31, 2020 the Company was in the exploration stage and had interests in properties in Canada.

These financial statements have been prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The ability of the Company to continue as a going concern and the recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from the disposition thereof. The Company has sustained losses from operations, and has an ongoing requirement for capital investment to explore its exploration and evaluation assets. As at December 31, 2020, the Company had a working capital of \$129,935. Based on its current plans, budgeted expenditures, and cash requirements, the Company does not have sufficient cash to finance its current plans. These material uncertainties may cast substantial doubt about the Company’s ability to continue as a going concern. The Company estimates that it will need to raise substantial additional capital to accomplish its business plan over the next several years. The Company expects to seek additional financing through equity financing. There can be no assurance as to the availability or terms upon which such financing might be available.

These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

In March 2020, the World Health Organization declared the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, a global pandemic which has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in the future.

### **2. Significant accounting policies and basis of preparation**

The financial statements were authorized for issue on April 19, 2021 by the directors of the Company.

#### ***Statement of compliance***

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

## 79 RESOURCES LTD.

Notes to the Financial Statements

(Expressed in Canadian dollars)

For the year ended December 31, 2020

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### 2. Significant accounting policies and basis of preparation (cont'd)

#### *Basis of preparation*

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, except for financial instruments classified as fair value through profit or loss, which are stated at their fair value. The financial statements are presented in Canadian dollars, which is the Company's functional currency, unless otherwise noted.

#### *Significant accounting judgments, estimates and assumptions*

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The following areas required a significant degree of estimation:

#### Recoverability of exploration and evaluation assets

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, scoping and feasibility studies, accessible facilities and existing permits.

#### Share-based compensation

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model, which incorporates market data and involves uncertainty in estimates used by management in the assumptions. The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, and, as a result, changes in subjective input assumptions can materially affect the fair value estimate.

#### Income taxes

The calculation of income taxes requires judgment in applying tax laws and regulations, estimating the timing of the reversals of temporary differences, and estimating the reliability of deferred tax assets. These estimates impact current and deferred income tax assets and liabilities, and current and deferred income tax expense (recovery).

The following areas required a significant degree of judgment:

#### Going Concern

The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

## 79 RESOURCES LTD.

Notes to the Financial Statements

(Expressed in Canadian dollars)

For the year ended December 31, 2020

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### 2. Significant accounting policies and basis of preparation (cont'd)

#### *Foreign currency translation*

The financial statements are presented in Canadian dollars which is the Company's functional and presentation currency.

#### Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

#### *Financial instruments*

Financial assets are classified and measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition. All financial assets not classified at amortized cost or FVOCI are measured at FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss; and
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in profit or loss. Financial assets and financial liabilities classified at amortized cost are using the effective interest method.

#### *Impairment of assets*

The carrying amount of the Company's assets which include exploration and evaluation assets, is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous periods.

## **79 RESOURCES LTD.**

Notes to the Financial Statements

(Expressed in Canadian dollars)

For the year ended December 31, 2020

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### **2. Significant accounting policies and basis of preparation (cont'd)**

#### *Income taxes*

##### Deferred income tax:

Deferred income tax is provided based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

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

#### *Exploration and evaluation assets*

The Company is in the exploration stage in respect to its exploration and evaluation assets.

Pre-exploration costs are expensed in the period in which they are incurred.

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, geological and geophysical evaluation, surveying costs, drilling costs, payments made to contractors and depreciation on property and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

Where the Company has entered into option agreements for the acquisition of an interest in exploration and evaluation assets which provided for periodic payments, such amounts unpaid are not recorded as a liability when they are payable entirely at the Company's discretion. Although the Company has taken steps to verify title to the exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. The exploration and evaluation assets may be subject to prior undetected agreements or transfers and title may be affected by such defects.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written-off to profit or loss.

The Company assesses exploration and evaluation assets for indications of impairment at each reporting date.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mine development cost". Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties.

Any incidental revenue earned in connection with exploration activities is applied as a reduction to capitalized exploration costs. Any operational income earned in connection with exploration activities is recognized in profit or loss.

Mineral exploration and evaluation expenditures are classified as intangible assets.

## **79 RESOURCES LTD.**

Notes to the Financial Statements

(Expressed in Canadian dollars)

For the year ended December 31, 2020

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### **2. Significant accounting policies and basis of preparation (cont'd)**

#### ***Provision for environmental rehabilitation***

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense. The Company does not have any provisions for rehabilitation obligations.

#### ***Flow-through shares***

The Company may from time to time, issue flow-through common shares to finance its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability on a pro-rata basis to the expenditures incurred. The reduction of the flow-through share premium previously recorded is recognized as other income.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian exploration expenses (as defined in the Tax Act).

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Lookback Rule, in accordance with the Tax Act. When applicable, this tax is accrued as a financial expense until paid.

#### ***Share capital***

The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the Company. The Company's common shares, share warrants and flow-through shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### ***Loss per share***

Basic loss per share is calculated based on the weighted average aggregate number of common shares outstanding during each period. Diluted loss per share is computed similarly to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. For the periods presented, this calculation proved to be anti-dilutive.

**79 RESOURCES LTD.**

Notes to the Financial Statements

(Expressed in Canadian dollars)

For the year ended December 31, 2020

**2. Significant accounting policies and basis of preparation (cont'd)***Leases*

IFRS 16 Leases - Specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Company had no leases in effect during the periods presented.

**3. Exploration and evaluation assets**

<b>Louise Lake, British Columbia</b>	<b>December 31, 2019</b>	<b>Incurred in year</b>	<b>December 31, 2020</b>
Acquisition costs			
Cash	\$ 7,673	\$ 10,000	\$ 17,673
Shares	2,000	-	2,000
	<u>9,673</u>	<u>10,000</u>	<u>19,673</u>
Exploration costs			
Assays and testing	4,690	714	5,404
Geological consulting	29,879	3,860	33,739
Ground magnetic survey	38,336	-	38,336
Mapping and surveying	2,090	-	2,090
Reports and administration	15,401	4,205	19,606
Travel and accommodation	21,475	3,406	24,881
	<u>111,871</u>	<u>12,185</u>	<u>124,056</u>
<b>TOTAL</b>	<b>\$ 121,544</b>	<b>\$ 22,185</b>	<b>\$ 143,729</b>

**Louise Lake (British Columbia)**

On July 8, 2019 the Company entered into an agreement to acquire up to a 75% interest in certain mining claims in the Omineca Mining Division, British Columbia. To acquire a 51% interest, the Company issued 100,000 common shares (issued for \$2,000) and made a cash payment of \$5,000 to the vendors.

To earn a further 24% (for a total of 75%), the Company must pay the vendors \$10,000 (paid), issue 100,000 common shares on or before the first anniversary of the initial listing of the Company's shares on an exchange, and incur aggregate exploration expenditures of \$225,000 of which \$75,000 must be incurred before July 8, 2020 (incurred) and \$150,000 on or before the first anniversary of the initial listing of the Company's shares on an exchange.

The property is subject to a net smelter royalty ("NSR") of 2% payable to the vendors.

In August 2019 the Company acquired additional property rights contiguous to the Louise Lake Property for a cash payment of \$2,673.

**4. Loan payable**

In July 2020, the Company arranged loans totaling \$10,000 from two arm's length parties. The loans had a term of one year plus one day, bore interest of 2% per month, and were unsecured. During the year ended December 31, 2020, the Company fully repaid the loans and paid \$600 in interest.

## **79 RESOURCES LTD.**

Notes to the Financial Statements

(Expressed in Canadian dollars)

For the year ended December 31, 2020

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### **5. Share capital**

#### *Authorized share capital*

Unlimited number of common shares without par value.

#### *Issuances*

*For the year ended December 31, 2020:*

On August 27, 2020, the Company completed its initial public offering of 4,600,000 units at a price of \$0.10 per unit for gross proceeds of \$460,000. Each unit consists of one common share and one transferable common share purchase warrant of the Company. Each warrant entitles the holder thereof to acquire one common share of the Company at an exercise price of \$0.15 per share at any time prior to August 27, 2022.

In connection to the initial public offering, the Company paid share issuance costs of \$48,000, corporate finance fees of \$30,000 cash (of which \$10,000 was paid in 2019), 100,000 in common shares (valued at \$10,000), and 460,000 broker's warrants (valued at \$24,370) exercisable at a price of \$0.10 per share, on or before August 27, 2022.

On December 30, 2020, the Company issued 200,000 common shares pursuant to exercise of options for gross proceeds of \$20,000, and accordingly, the Company reallocated \$5,636 of reserves to share capital.

*For the period ended December 31, 2019:*

On April 17, 2019 the Company issued 1 common share as an incorporation share for \$1.

On April 24, 2019 the Company issued at total of 2,000,000 common shares at \$0.005 per share to directors for gross proceeds of \$10,000.

On July 8, 2019 the Company issued a total of 100,000 common shares valued at \$2,000 for a property acquisition.

On July 17, 2019 the Company issued a total of 3,000,000 flow-through common shares at \$0.02 per share for gross proceeds of \$60,000.

On July 29, 2019 the Company issued a total of 1,000,000 flow-through common shares at \$0.02 per share for gross proceeds of \$20,000.

On September 8, 2019 the Company issued a total of 2,100,000 common shares at \$0.05 per unit for total gross proceeds of \$105,000. The Company paid a finder's fee of \$4,250 cash.

#### *Escrow shares*

As of December 31, 2020, the Company had 1,800,000 shares held in escrow.

Under the escrow agreement, 10% of the escrowed common shares were released from escrow upon the Listing Date and that, where there are no changes to the Common Shares initially deposited and no additional Escrow Securities, the remaining Escrowed Securities will be released in equal tranches of 15% every 6-month interval thereafter, over a period of 36 months.

#### *Stock options*

The Company adopted a stock option plan to grant options to individuals exercisable up to 10 years from the date of grant to purchase shares at the market price, less applicable discount, if any. Such grants not to exceed an aggregate of 10% of the issued and outstanding shares and vesting periods will be determined by the Board of Directors.

**79 RESOURCES LTD.**

Notes to the Financial Statements

(Expressed in Canadian dollars)

For the year ended December 31, 2020

**5. Share capital (cont'd)*****Stock options (cont'd)***

On February 24, 2020, the Company granted 800,000 stock options exercisable at a price of \$0.10 until February 24, 2023 to senior officers and directors and vesting upon grant. The fair value of the options was \$22,544 which was determined by the Black-Scholes Option Pricing Model with the following assumptions: an annualized volatility of 114%; an expected life of 3 years; a dividend yield of 0%; and a risk-free rate of 1.28%.

Stock option transactions are summarized as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance at April 17, 2019 and December 31, 2019	-	\$ -
Granted	800,000	0.10
Exercised	(200,000)	0.10
<b>Balance at December 31, 2020</b>	<b>600,000</b>	<b>\$0.10</b>

Details of options outstanding as at December 31, 2020 are as follows:

Number of Shares	Exercise Price	Expiry date	Exercisable
600,000	\$0.10	February 24, 2023	600,000

As at December 31, 2020 the options outstanding had a weighted average exercise price of \$0.10 and a weighted average life of 2.15 years.

***Warrants***

On August 27, 2020, the Company granted 460,000 broker's warrants exercisable at a price of \$0.10 until August 27, 2022. The estimated fair value of the options was \$24,320 which was determined by the Black-Scholes Option Pricing Model with the following assumptions: an annualized volatility of 102%; an expected life of 2 years; a dividend yield of 0%; and a risk-free rate of 0.29%.

Warrants transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at April 17, 2019 and December 31, 2019	-	\$ -
Granted	5,060,000	0.15
<b>Balance at December 31, 2020</b>	<b>5,060,000</b>	<b>\$0.15</b>

Details of warrants outstanding as at December 31, 2020 are as follows:

Number of Shares	Exercise Price	Expiry date
4,600,000	\$0.15	August 27, 2022
460,000	\$0.10	August 27, 2022



## **79 RESOURCES LTD.**

Notes to the Financial Statements

(Expressed in Canadian dollars)

For the year ended December 31, 2020

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### **5. Share capital (cont'd)**

#### *Warrants (cont'd)*

As at December 31, 2020 the warrants outstanding had a weighted average exercise price of \$0.15 and a weighted average life of 1.65 years.

### **6. Related party transactions**

The Company has paid rent of \$1,200 and office expenses of \$400 to a company that is related by common directors and a senior officer.

#### *Key management compensation*

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

Effective July 1, 2019 the Company entered into a management services agreement with a company controlled by a director and senior officer. Terms include a monthly fee of \$2,500 and automatic renewal every six months unless terminated by either the Company or the service provider. The Company has paid/accrued \$30,000 (2019: \$15,000) for management services to December 31, 2020.

The Company has paid \$7,500 (2019: \$4,500) to a former director and senior officer for accounting services for the year December 31, 2020.

Amounts due to related parties are non-interest bearing with no specific terms of repayment.

Share-based payments made to directors and officers of the Company during fiscal 2020 consist of 800,000 stock options valued at \$22,544 (2019: \$Nil).

### **7. Financial risk management**

The Company is exposed in varying degrees to a variety of financial instrument related risks.

#### Credit Risk

The Company is exposed to credit risk by holding cash. Holding the cash in large Canadian financial institutions minimizes this risk. The Company has minimal accounts receivable exposure, and its amounts recoverable are due from a Canadian government agency.

#### Currency Risk

The Company's functional currency is the Canadian dollar. There is minimal foreign exchange risk to the Company as its mineral property interests are located in Canada. Management monitors its foreign currency balances and makes adjustments based on anticipated need for currencies. The Company does not engage in any hedging activities to reduce its foreign currency risk.

## **79 RESOURCES LTD.**

Notes to the Financial Statements

(Expressed in Canadian dollars)

For the year ended December 31, 2020

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### **7. Financial risk management (cont'd)**

#### Interest Rate Risk

The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. The fair value of the Company's cash accounts is relatively unaffected by changes in short term interest rates. The income earned on certain bank accounts is subject to the movements in interest rates. Currently, this risk will have an immaterial effect on operations.

#### Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk). The Company is at risk to changes in commodity prices which may affect financing options available to the Company.

#### Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company manages this risk by careful management of its working capital.

The Company's expected source of cash flow in the upcoming year will be through equity financing. Cash on hand at December 31, 2020 and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs. The Company will need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof.

#### Capital Management

The Company is engaged in the mineral exploration field and manages related industry risk issues directly. The Company is potentially at risk for environmental issues and fluctuations in commodity based market prices associated with resource property interests. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements.

The Company includes the components of equity in the definition of capital.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation or make special distributions to shareholders. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital.

There were no changes in the Company's approach to capital management during the year.

## 79 RESOURCES LTD.

Notes to the Financial Statements

(Expressed in Canadian dollars)

For the year ended December 31, 2020

### 7. Financial risk management (cont'd)

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

Management estimates that the recorded values of all cash, accounts payable and accrued liabilities, and amounts due to related parties, all of which are classified as amortized cost, approximate their current fair values because of their nature and anticipated settlement dates.

### 8. Supplemental disclosure with respect to cash flows

During the years ended December 31, 2020 and 2019, the Company incurred the following non-cash financing and investing transactions:

	December 31, 2020	December 31, 2019
	\$	\$
Non-cash financing and investing activities:		
Shares issued for exploration and evaluation assets	-	2,000
Broker's warrants issued for initial public offering	24,370	-
Exploration and evaluation assets included in accounts payable and accrued liabilities	32,457	-
Accrued share issue costs	8,000	-
Finder shares issued	10,000	-
Fair value of stock options exercised	5,636	-

### 9. Segmented information

The Company operates in one industry segment being the acquisition and exploration of exploration and evaluation assets in one geographical location, being Canada, as disclosed in Note 3.

### 10. Income Taxes

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

	2020	2019
	\$	\$
Loss for the year	(253,621)	(57,760)
Expected income tax (recovery)	(68,000)	(16,000)
Permanent difference	6,000	-
Impact of flow-through shares	4,000	18,000
Share issuance costs	(30,000)	(3,000)
Tax benefit not realized	88,000	1,000
<b>Total income tax expense (recovery)</b>	<b>-</b>	<b>-</b>

**79 RESOURCES LTD.**

Notes to the Financial Statements

(Expressed in Canadian dollars)

For the year ended December 31, 2020

**10. Income Taxes (cont'd)**

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	2020	2019
Deferred Tax Assets (liabilities)		
Share issue costs	\$ 26,000	\$ 1,000
Non-capital losses available for future period	63,000	-
	89,000	1,000
<b>Unrecognized deferred tax assets</b>	<b>(89,000)</b>	<b>(1,000)</b>
<b>Net deferred tax assets</b>	<b>\$ -</b>	<b>\$ -</b>

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2020	Expiry Date Range	2019	Expiry Date Range
<b>Temporary Differences</b>				
Share issue costs	97,000	2021 to 2024	3,000	2020 to 2023
Non-capital losses available for future periods	235,000	2039 to 2040	-	No expiry date

Tax attributes are subject to review and potential adjustments by tax authorities.

**11. Subsequent events**

Subsequent to December 31, 2020, the Company:

- i) entered into an option agreement to acquire 100% interest in the Lac Saint Simon lithium ("LSS") project in stages over a 3-year period as follows:

Date	Common shares	Cash	Exploration Expenditures
Within 5 Days of the removal of the due diligence provision (paid and issued)	250,000	\$ 25,000	\$ -
On or before February 3, 2022	250,000	30,000	100,000
On or before February 3, 2023	500,000	50,000	200,000
On or before February 3, 2024	500,000	50,000	400,000
	1,500,000	\$ 155,000	\$ 700,000

The vendor will retain a 2% NSR of which half can be purchased by the Company for \$1,000,000 at any time.

- ii) closed the non-brokered private placement of 4,180,000 units at a price of \$0.12 per unit for aggregate gross proceeds of \$501,600. Each Unit is comprised of one common share and one transferable share purchase warrant of the Company. Each warrant will entitle the holder to purchase one share exercisable at a price of \$0.20 until March 19, 2023. In connection of the private placement, the Company paid finders' fees of \$31,200 and 260,000 finder's warrants. Finder's warrants entitle the finder to purchase one common share in the Company exercisable at a price of \$0.20 until March 19, 2023.

**79 RESOURCES LTD.**

Notes to the Financial Statements

(Expressed in Canadian dollars)

For the year ended December 31, 2020

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**11. Subsequent events (cont'd)**

- iii) granted 630,000 stock options exercisable at a price of \$0.16 until January 29, 2023 to consultants, officers and directors that vest upon grant.
  
- iv) granted 80,000 stock options exercisable at a price of \$0.16 until March 4, 2023 to a consultant that vest upon grant.