
Condensed Interim Financial Statements

Victory Capital Corp.

For the Three and Nine Months Ended September 30, 2020 and 2019

(Stated in Canadian Dollars)

Unaudited

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NOTICE TO READER

The accompanying unaudited condensed interim financial statements have been prepared by the Corporation's management and the Corporation's independent auditors have not performed a review of these financial statements.

Victory Capital Corp.

Condensed Interim Statements of Financial Position as at September 30, 2020 and December 31, 2019

Unaudited - see Notice to Reader

Stated in Canadian Dollars

	September 30, 2020	December 31, 2019
		(Audited)
Assets		
Current Assets		
Cash	\$ 477,311	\$ 524,218
	<u>\$ 477,311</u>	<u>\$ 524,218</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 36,577	\$ 16,028
Shareholders' Equity		
Issued Capital (note 5)	767,579	767,579
Contributed Surplus (note 6)	80,877	80,877
Deficit	<u>(407,722)</u>	<u>(340,266)</u>
	<u>440,734</u>	<u>508,190</u>
	<u>\$ 477,311</u>	<u>\$ 524,218</u>

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

Approved on Behalf of the Board

Signed "Roger (Zelong) He", Director

Signed "Justin Blanchet", Director

Victory Capital Corp.

Condensed Interim Statements of Loss and Comprehensive Loss For the
Three and Nine Months Ended September 30, 2020 and 2019

Unaudited - see Notice to Reader

Stated in Canadian Dollars

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30,</u> <u>2020</u>	<u>September 30,</u> <u>2019</u>	<u>September 30,</u> <u>2020</u>	<u>September 30,</u> <u>2019</u>
Revenue	\$ -	\$ -	\$ -	\$ -
Expenses				
Advertising and promotion	-	-	-	847
Bank charges	-	-	126	-
Filing fees	3,300	4,390	13,797	13,454
Professional fees	36,890	3,287	53,533	29,907
	<u>40,190</u>	<u>7,677</u>	<u>67,456</u>	<u>44,208</u>
Net Loss and Comprehensive Loss for the Period	\$ (40,190)	\$ (7,677)	\$ (67,456)	\$ (44,208)
Loss per Share - basic and diluted	\$ (0.01)	\$ -	\$ (0.01)	\$ (0.01)
Weighted Average Number of Common Shares Outstanding – basic	<u>5,088,750</u>	<u>5,088,750</u>	<u>5,088,750</u>	<u>5,088,750</u>

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

Victory Capital Corp.

Condensed Interim Statements of Changes in Equity

For the Three and Nine Months Ended September 30, 2020 and 2019

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	<u>Issued Capital</u>		Contributed Surplus	Deficit	Total Equity
	Shares	Amount			
Balance - January 1, 2020	5,088,750	\$ 767,579	\$ 80,877	\$ (340,266)	\$ 508,190
Net loss for the period	-	-	-	(67,456)	(67,456)
Balance – September 30, 2020	5,088,750	\$ 767,579	\$ 80,877	\$ (407,722)	\$ 440,734

	<u>Issued Capital</u>		Contributed Surplus	Deficit	Total Equity
	Shares	Amount			
Balance - January 1, 2019	5,088,750	\$ 726,610	\$ 116,839	\$ (273,102)	\$ 570,347
Net loss for the period	-	-	-	(44,208)	(44,208)
Balance – September 30, 2019	5,088,750	\$ 726,610	\$ 116,839	\$ (317,310)	\$ 526,139

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

Victory Capital Corp.

Condensed Interim Statements of Cash Flow

For the Three and Nine Months Ended September 30, 2020 and 2019

Unaudited - see Notice to Reader

Stated in Canadian Dollars

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Operating Activities				
Net loss for the period	\$ (40,190)	\$ (7,677)	\$ (67,456)	\$ (44,208)
Changes in non-cash operating working capital:				
Accounts payable and accrued liabilities	34,107	(19,003)	20,549	(22,107)
	(6,083)	(26,680)	(46,907)	(66,315)
Change in Cash	(6,083)	(26,680)	(46,907)	(66,315)
Cash - beginning of period	483,394	564,565	524,218	604,199
Cash - end of period	\$ 477,311	\$ 537,885	\$ 477,311	\$ 537,884

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

Victory Capital Corp.

Notes to the Condensed Interim Financial Statements

For the Three and Nine Months Ended September 30, 2020 and 2019

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1. Nature of Operations

Victory Capital Corp. (the "Company") was incorporated on November 6, 2009 pursuant to the Business Corporation Act (Ontario) and is classified as a Capital Pool Corporation ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange Inc. ("the Exchange") Corporate Finance Manual. The Company was inactive from the date of incorporation until May 2016. The Company has no significant assets other than cash and proposes to identify and evaluate potential acquisitions or business with a view to completing a Qualifying Transaction, as defined in Exchange Policy 2.4. The Company will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction.

There is no assurance that the Company will identify a Qualifying Transaction within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or delist the Corporation's shares from trading.

The Company's principal place of business is 333 Bay Street, Suite 1700, Toronto, Ontario, M5H 2R2.

2. Significant Accounting Policies

Statement of Compliance

The Company's condensed interim financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting". These condensed interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2019, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These condensed interim financial statements have been prepared following the same accounting policies used in the preparation of the Company's audited consolidated financial statements for the year ended December 31, 2019, and were approved by the Company's Board of Directors on December 14, 2020.

3. Significant Accounting Judgements, Estimates and Assumptions

The preparation of these condensed interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. These financial statements include estimates, that, by their nature, are uncertain. Actual results may differ from these estimated. The estimates and underlying assumptions are reviewed on an ongoing basis. Significant judgments, estimates and assumptions include those related to the determination of cash flows and probabilities in assessing the recoverable amounts and net realizable values; assessing objective evidence of impairment of equity; tax and other provisions; and fair value of stock based compensation and warrants.

Victory Capital Corp.

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4. Cash Restriction

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These restrictions apply until completion of a Qualifying Transaction by the Corporation as defined under the Exchange Policy 2.4.

5. Issued Capital

Capital Stock

The Company is authorized to issue an unlimited number of common shares.

Number of common shares at September 30, 2020 and December 31, 2019 was 5,088,750. There were no share capital transactions during the nine months ended September 30, 2020 and the year ended December 31, 2019.

During the year ended December 31, 2019, 388,875 agent's warrants expired.

6. Stock Options

During the year ended December 31, 2017, the Company granted 508,875 stock options. During the year ended December 31, 2019, the Company granted 101,775 stock options. Each option entitles the holder to acquire one common share of the Company at a price of \$0.20 per share. Each option shall expire on the later of (i) twelve months following the completion of a Qualifying Transaction; and (ii) 90 days following cessation of the Optionee's position with the Company, provided that if cessation of office, directorship, or technical consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, provided that no options may expire later than five years from date such options are granted, that date being December 13, 2022.

The fair value of the options was estimated at the grant date based on the Black-Scholes pricing model, using the following inputs and assumptions:

Expected forfeiture rate	Nil
Expected dividend yield	Nil
Risk-free interest rate	1.38%
Expected life	5 years
Expected volatility	100%
Share price	\$0.20

During the year ended December 31, 2019, 203,550 stock options expired due to a resignation of two directors of the Company. At June 30, 2002 and December 31, 2019, there were 407,100 exercisable stock options outstanding.

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7. Financial Risk Management Objectives and Policies

Capital Management

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of issued common shares, in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The Company is not subject to externally imposed capital requirements other than the cash restriction disclosed in Note 4.

Risk Disclosures and Fair Values

The Company's financial instruments, consisting of cash and accounts payable and accrued liabilities, approximate their fair values due to the relatively short-term maturities of the instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. As at September 30, 2020, the Company had accounts payable and accrued liabilities of \$36,577 (December 31, 2019 - \$16,027) due within 12 months and had cash of \$477,311 (December 31, 2019 - \$524,218) to meet its current obligations. As a result, the Company has minimal liquidity risk.

8. Financial Instruments and Other Risks

IFRS 7 establishes a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

- Level 1 quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (ie. as prices) or indirectly (ie. from derived prices); and
- Level 3 inputs for the asset or liability that are not based upon observable market data.

Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As at September 30, 2020, the Company's cash was classified as Level 1 measurement. As at September 30, 2020, the Company had no financial instruments classified at Level 2 and Level 3.

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8. Financial Instruments and Other Risks (continued)

Fair Values

Except as disclosed elsewhere in these financial statements, the carrying amounts for the Company's financial instruments approximate their fair values because of the short-term nature of these items.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Market Risk

Market risk refers to the risk that a change in the level of one or more of market prices, interest rates, foreign exchange rates, indices, volatilities, correlations or other market factors, such as liquidity, will result in a change in the fair value of a financial instrument. The Company's financial instruments are designated as held for trading, fair value through profit or loss, available for sale, amortized cost or loans and receivables. Therefore, changes in fair value or permanent impairment, if any, affect reported earnings as they occur, except for amortized cost.

The Company separates market risk into two categories: interest rate risk and foreign exchange risk.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Company does not hedge its exposure to interest rate risk as such risk is minimal. None of the Company's cash balances are subject to variable interest rates.

Foreign Exchange Risk

Foreign exchange risk arises from the possibility that changes in the price of foreign currencies will result in changes in carrying value. The Company does not hold any assets denominated in currencies other than the Canadian dollar and is not subject to foreign currency risk.

Credit Risk

Credit risk arises from the potential that counterparties will fail to satisfy their obligations as they come due. Credit risk is managed by dealing with counterparties that the Company believes to be creditworthy and by actively monitoring credit exposure and the financial health of the counterparties. The Company does not have a significant exposure to any individual third party.

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8. Financial Instruments and Other Risks (continued)

Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due. The Company's management is responsible for reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they come due, as well as ensuring adequate funds exist to support business strategies and operations growth. The majority of current assets reflected on the statements of financial position are highly liquid. As at September 30, 2020, the Company had current assets of \$477,311 (December 31, 2019 - \$524,218) to settle current liabilities of \$36,577 (December 31, 2019 - \$16,028).

9. Capital Disclosures

As at September 30, 2020, the Company was not subject to any regulatory capital requirements. The Company's capital is composed of equity, including shareholder's equity and deficit.

The Company's objectives when managing capital include:

- a. ensuring that the Company meets relevant regulatory capital requirements when applicable,
- b. ensuring that the Company is able to meet its financial obligations as they become due; and
- c. ensuring that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions.

10. Subsequent Events

COVID-19

Subsequent to 2019 year-end and currently, there is a global outbreak of COVID-19 (coronavirus), which has a significant impact on businesses through restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolations/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

While the extent of the impact is unknown, we anticipate that this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages and increased government regulations, all of which may negatively impact the Company's business and financial condition.

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10. Subsequent Events (continued)

Proposed Qualifying Transaction

On November 24, 2020, the Company entered into a letter of intent (the “LOI”) with Acapulco Gold Corporation (“Acapulco”). Pursuant to the LOI, the Company and Acapulco will negotiate and enter into a definitive agreement on or before December 30, 2020 (the “Definitive Agreement”), pursuant to which it is anticipated that the Company will acquire all of the issued and outstanding securities of Acapulco at an exchange ratio to be determined in accordance with the Definitive Agreement, resulting in the reverse takeover of the Company by Acapulco (the “Acapulco Transaction”).

Subsequent to the execution of the LOI and the approval of the TSXV, the Company will provide Acapulco with a bridge loan in the amount of up to \$100,000 (the “Loan”) for working capital purposes, of which \$25,000 may be immediately advanced to Acapulco pursuant section 8.5(b) of Policy 2.4 of the policies of the TSXV.

In conjunction with the Acapulco Transaction, Acapulco intends to complete a concurrent private placement (the “Private Placement”) for aggregate gross proceeds of a minimum of \$2,000,000 up to a maximum of \$3,000,000, through the offering of securities of Acapulco to be sold at an issue price to be determined in the context of the market. Acapulco intends to use the net proceeds from the Private Placement for expenditures for the further advancement of its mining properties and general corporate purposes.

The completion of the Acapulco Transaction will be subject to a number of conditions precedent, including but not limited to satisfactory due diligence review, negotiation and execution of the Definitive Agreement and accompanying transaction documents, approval by the boards of directors of each of Victory and Acapulco, approval of the shareholders of Acapulco (if applicable), obtaining necessary third party approvals, TSXV acceptance and closing of the Private Placement for gross proceeds of not less than \$2,000,000. There can be no assurance that the Acapulco Transaction or the Private Placement will be completed as proposed, or at all.