

*A copy of this preliminary prospectus has been filed with the securities regulatory authorities in each of the provinces of British Columbia, Alberta and Ontario and with the TSX Venture Exchange Inc. but has not yet become final for the purposes of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.*

*This prospectus constitutes a public offering of the securities only in those jurisdictions where they may be lawfully offered for sale and, in such jurisdictions, only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.*

Pavel Maslovskiy, Peter Hambro, and Alexey Maslovskiy are directors of the Corporation, reside outside of Canada, and have each appointed WeirFoulds LLP at 4100 – 66 Wellington Street West, P.O. Box 35, TD Bank Tower, Toronto, Ontario M5K 1B7 as agent for service of process. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person that resides outside of Canada, even if the party has appointed an agent for service of process.

## PRELIMINARY PROSPECTUS

Initial Public Offering

December 4, 2018

### XAU RESOURCES INC. (a capital pool company)

**Minimum Offering: \$400,000 (4,000,000 common shares)**

**Maximum Offering: \$600,000 (6,000,000 common shares)**

**Price: \$0.10 per Offered Share**

XAU Resources Inc. (the "**Corporation**") hereby offers on a commercially reasonable efforts basis through its agent, Hampton Securities Limited (the "**Agent**"), a minimum of 4,000,000 common shares (the "**Minimum Offering**") and a maximum of 6,000,000 common shares (the "**Maximum Offering**"), in the capital of the Corporation (the "**Offered Shares**"), at a price of \$0.10 per Offered Share (the Minimum Offering and the Maximum Offering together referred to as the "**Offering**"), for aggregate gross proceeds of a minimum of \$400,000 and a maximum of \$600,000. This Offering is offered only in the provinces of Ontario, Alberta and British Columbia and in such other jurisdictions where the Offered Shares may be sold without requirement for registration or filing of a prospectus (the "**Offering Jurisdictions**"). The purpose of the Offering is to provide the Corporation with a minimum of funds with which to identify and evaluate businesses or assets with a view to completing a Qualifying Transaction, as hereinafter defined. Any proposed Qualifying Transaction must be approved by the TSX Venture Exchange Inc. (the "**Exchange**") and, in the case of a Non-Arm's Length Qualifying Transaction, as hereinafter defined, must also receive Majority of the Minority Approval, as hereinafter defined, in accordance with Policy 2.4 of the Exchange (the "**CPC Policy**"). The Corporation is a Capital Pool Company ("**CPC**"). It has not commenced commercial operations and has no assets other than a minimum amount of cash. Except as specifically contemplated in the CPC Policy, until the Completion of the Qualifying Transaction, as hereinafter defined, the Corporation will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a proposed Qualifying Transaction. See "*Business of the Corporation*" and "*Use of Proceeds*".

	<b>Offered Shares</b>	<b>Price to Public</b>	<b>Agent's Commission<sup>(2)</sup></b>	<b>Net Proceeds to the Corporation<sup>(3)(4)</sup></b>
Per Offered Share <sup>(1)</sup>	1	\$0.10	\$0.01	\$0.09
Minimum Offering <sup>(3)(4)</sup>	4,000,000	\$400,000	\$40,000	\$360,000
Maximum Offering <sup>(3)(4)</sup>	6,000,000	\$600,000	\$60,000	\$540,000

**Notes:**

- (1) Pursuant to the Agency Agreement (as hereinafter defined), a Minimum Offering of 4,000,000 Offered Shares up to a Maximum Offering of 6,000,000 Offered Shares are offered hereunder, not including the Agent's Option (as hereinafter defined), the Overallotment Option (as hereinafter defined) or the Stock Options (as hereinafter defined) to be granted concurrently with Closing, as hereinafter defined, to the directors and officers of the Corporation to purchase an aggregate of between 800,000 common shares, assuming completion of a Minimum Offering and 1,000,000 common shares assuming the completion of the Maximum Offering, or 1,090,000 common shares assuming the completion of the Maximum Offering and full exercise of the Overallotment Option, at a price of \$0.10 per common share, which Stock Options and Agent's Options are also qualified for distribution under this prospectus. See "*Option to Purchase Securities - Stock Options*".
- (2) The Agent will receive a commission (the "**Agent's Commission**") equal to 10% of the gross proceeds from the sale of the Offered Shares and the Overallotment Shares, if any, pursuant to this Offering, payable in cash on the Closing Date, as hereinafter defined. The Agent will also be paid a corporate finance fee equal to \$25,000 (plus H.S.T. of \$3,250) (the "**Corporate Finance Fee**") on the Closing Date, of which \$12,500, has been paid, with the remaining \$12,500 to be paid in cash upon closing of the Offering. The Agent will be reimbursed by the Corporation for its reasonable expenses and legal fees plus disbursements and will be granted the Agent's Options referred to herein, which are exercisable for a period of 24

months from the date of listing of the Corporation's common shares on the Exchange. This Offering qualifies the distribution of the Agent's Options to the maximum extent permitted by NI 41-101, as defined herein. See "*Plan of Distribution – Agency Agreement and Agent's Compensation*".

- (3) Before deducting the costs of this issue estimated at \$143,750, in the case of the Minimum Offering, \$163,750 in the case of the Maximum Offering or \$172,750 if the Overallotment Option (as defined below) is exercised, in each case including audit fees and other expenses of the Corporation, including amounts spent to the date of this Offering, the Corporate Finance Fee, legal fees, printing fees, filing fees, disbursements and the listing fees payable to the Exchange, of which \$12,500 in respect of the Corporate Finance Fee, has been paid for at the date hereof. See "*Use of Proceeds*".
- (4) Unless an amendment to the final prospectus is filed and the "principal regulator" under NP 11-202, as hereinafter defined, (the "**Securities Regulatory Authority**") has issued a receipt for the amendment, the latest date that the distribution is to remain open is 90 days after the date of issuance of a receipt for the final prospectus by the Securities Regulatory Authority.
- (5) The Agent has received an option (the "**Overallotment Option**") to purchase up to an additional 15% of the common shares offered (the "**Overallotment Shares**") to cover overallotments which Overallotment Option is exercisable at \$0.10 per Overallotment Share for a period of 30 days from the date of the Closing. If the Overallotment Option is exercised in full, the gross proceeds realized from the Offering will increase by \$90,000 in the event of a Maximum Offering.

This Offering is made on a "commercially reasonable efforts" basis by the Agent and is subject to an aggregate minimum subscription of 4,000,000 Offered Shares and a maximum subscription of 6,000,000 Offered Shares, for gross proceeds to the Corporation of \$400,000 in the event of a Minimum Offering and \$600,000 in the event of a Maximum Offering (excluding the Overallotment Option). The offering price of the Offered Shares was determined by negotiation between the Corporation and the Agent. All funds received from subscriptions for Offered Shares will be held by the Agent pursuant to the terms of the Agency Agreement. If the Offering is not completed within 90 days of the issuance of a Final Receipt (as hereinafter defined) or such other time as may be consented to by the regulatory authorities and the Agent and persons or companies who subscribed within that period, all subscription monies will be returned to subscribers without interest or deduction, unless the subscribers have otherwise instructed the Agent.

Pursuant to the Agency Agreement, the Agent will receive a non-transferrable option (the "**Agent's Option**") to acquire in the aggregate up to that number of common shares equal to 10% of the number of Offered Shares and Overallotment Shares, if any, sold under the Offering at a price of \$0.10 per common share, exercisable for a period of 24 months from the date of listing of the Corporation's common shares on the Exchange. In the event of a Minimum Offering, the Agent shall receive 400,000 Agent's Options or in the event of a Maximum Offering, the Agent shall receive 600,000 Agent's Options (or 690,000 Agent's Options if the Overallotment Option is exercised in full). Pursuant to the Agency Agreement, the Agent has been granted the Overallotment Option to purchase that number of common shares equal to 15% of the aggregate number of common shares sold under the Offering, to a maximum of 900,000 common shares, at a price of \$0.10 per common share for a period of 30 days from the Closing. The Agent's Options and the Overallotment Option are qualified for distribution under this prospectus to the maximum extent permitted by NI 41-101. See "*Plan of Distribution – Agency Agreement and Agent's Compensation*".

In addition, the Corporation intends to grant at the Closing, stock options to the directors and officers to purchase, in aggregate between 800,000 common shares assuming completion of a Minimum Offering and 1,000,000 common shares assuming completion of a Maximum Offering, or 1,090,000 common shares assuming completion of the Maximum Offering and full exercise of the Overallotment Option, at a price of \$0.10 per common share, exercisable for a period of five (5) years from the date of grant (the "**Stock Options**"), which options are qualified under this prospectus. See "*Plan of Distribution*", "*Description of Share Capital*" and "*Options to Purchase Securities*".

Other than the initial distribution of the Offered Shares pursuant to this prospectus, the grant of the Agent's Options and the grant of the Stock Options to the directors and officers of the Corporation, trading in all securities of the Corporation is prohibited during the period between the date a receipt for the preliminary prospectus is issued by the securities commission that is designated the principal regulator pursuant to Multilateral Instrument 11-102 - *Passport System* ("**MI 11-102**") and National Policy 11-202 - *Process for Prospectus Reviews in Multiple Jurisdictions* ("**NP 11-202**") and the time the common shares are listed for trading on the Exchange except, subject to prior acceptance of the Exchange, where appropriate registration and prospectus exemptions are available under securities legislation or where the applicable securities regulatory authority grants a discretionary order.

The Corporation has applied to list its common shares on the Exchange. Listing will be subject to the Corporation fulfilling all of the requirements of the Exchange.

**Investment in the Offered Shares offered by this prospectus is highly speculative due to the nature of the Corporation's business and its present stage of development. This Offering is suitable only to those investors who are prepared to risk the loss of their entire investment. See "Risk Factors".**

**There is no market through which the Offered Shares may be sold and purchasers may not be able to resell the Offered Shares purchased under this prospectus. This may affect the pricing of the Offered Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See "Risk Factors".** Upon completion of this Offering and assuming that the Overallotment Option is not exercised, purchasers will suffer an immediate dilution (based on the gross proceeds from this and prior issues without deduction of selling and related expenses) per common share of approximately \$0.025 or 25% in the event of a Minimum Offering and \$0.020 or 20% in the event of a Maximum Offering. The Corporation was only recently incorporated and does not currently own any assets other than cash.

The business objective of the Corporation is to identify and evaluate assets or businesses with a view to completing a Qualifying Transaction which receives Exchange approval and in the case of a Non-Arm's Length Qualifying Transaction, Majority of the Minority Approval of the Corporation's shareholders. There can be no assurance that the Corporation will successfully complete a Qualifying Transaction. Although the Corporation has commenced the process of identifying potential acquisitions, the Corporation has yet to enter into any negotiations with respect to such potential acquisitions and may determine that current markets, terms of acquisition, or pricing conditions make such potential acquisitions uneconomic. The Corporation may find that even if the terms of a potential acquisition are economic, the Corporation may not be able to finance such acquisition and additional funds may be required to meet such obligation. Since the Corporation has not placed any geographical restrictions on the location of a Qualifying Transaction, such Qualifying Transaction may involve the acquisition of a business located outside of Canada and, as such, investors should be aware that it may be difficult or may not be possible to effect service or notice to commence legal proceedings upon any directors, officers and experts outside of Canada and that it may not be possible to enforce against such Person, as hereinafter defined, or the Corporation, judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada. Where the investment or acquisition is financed by the issuance of common shares from the Corporation's treasury, control of the Corporation may change and shareholders may suffer further dilution of their investment. The Corporation will be in competition with other corporations with greater resources. The Corporation has neither a history of earnings nor has it paid any dividends and it is unlikely to generate earnings or pay dividends in the immediate or foreseeable future. The Exchange may suspend from trading or de-list the common shares where the Corporation has failed to complete a Qualifying Transaction within 24 months of the date of listing. The Executive Director of a securities commission may issue an interim cease trade order against the Corporation's securities if the common shares of the Corporation are suspended from trading on the Exchange and will issue an interim cease trade order if the Corporation is delisted from the Exchange. In addition, delisting of the common shares will result in the cancellation of all or a portion of the common shares of the Corporation owned by Insiders, as hereinafter defined, issued prior to this Offering. Investors must rely solely on the expertise of the Corporation's Promoters, as hereinafter defined, directors and officers for any possible return on their investment. The Corporation's Promoters, directors, officers and Control Persons, as hereinafter defined, and their Associates, as hereafter defined, and Affiliates, as hereafter defined, as a group, beneficially own or control, directly or indirectly, 2,080,000 common shares, which represent 86.67% of the issued and outstanding common shares before giving effect to this Offering and will own approximately 40.39% of the issued and outstanding common shares in the event of a Minimum Offering and 21.01% in the event of a Maximum Offering and after giving effect to this Offering. The directors and officers of the Corporation will only devote part of their time to the affairs of the Corporation and there are potential conflicts of interest to which some of the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. See "*Capitalization*", "*Business of the Corporation*", "*Directors, Officers and Promoter*", "*Use of Proceeds*", "*Directors, Officers and Promoters – Conflicts of Interest*" and "*Risk Factors*".

This Offering is subject to the CPC Policy and the securities laws of the Offering Jurisdictions.

The Agent, conditionally offers these Offered Shares, on a "commercially reasonable efforts" agency basis, if, as and when subscriptions are accepted by the Corporation and the Agent, subject to prior sale, in accordance with the terms and conditions of the Agency Agreement referred to under "*Plan of Distribution*" and subject to the approval of certain legal matters by WeirFoulds LLP, Toronto, Ontario, on behalf of the Corporation and by Garfinkle Biderman LLP, Toronto, Ontario, on behalf of the Agent. Pursuant to the CPC Policy, no purchaser of Offered Shares is permitted to directly or indirectly purchase more than 2% of the total Offered Shares or 80,000 Offered Shares (\$8,000) in the event of a Minimum Offering and 120,000 Offered Shares (\$12,000) in the event of a Maximum Offering under this prospectus, excluding the exercise of the Overallotment Option. In addition, the maximum number of Offered Shares that may directly or indirectly be purchased by that purchaser, together with any Associates or Affiliates of that purchaser, is 4% of the total number of Offered Shares or 160,000 Offered Shares (\$16,000) in the event of a Minimum Offering and 240,000 Offered Shares (\$24,000) in the event of a Maximum Offering under this prospectus, excluding the exercise of the Overallotment Option.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Offered Shares sold under the Offering will be issued and deposited in electronic form with CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee, pursuant to the book-based system administered by CDS. A purchaser of Offered Shares will receive only a customer confirmation from the registered dealer that is a CDS participant and from or through which the Offered Shares were purchased. See "*Depository Services*".

Agent for the Offering:  
**Hampton Securities Limited**  
**141 Adelaide Street W., Suite 1800**  
**Toronto, Ontario M5H 3L5**  
**Phone: (416) 862-7800**  
**Fax: (416) 862-8650**

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## GLOSSARY

"**Affiliate**" means a company that is affiliated with another company as described below:

A company is an "Affiliate" of another company if:

- (a) one of them is the subsidiary of the other, or
- (b) each of them is controlled by the same Person.

A company is "controlled" by a Person if:

- (a) voting securities of the company are held, other than by way of security only, by or for the benefit of that Person, and
- (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the company.

A Person beneficially owns securities that are beneficially owned by:

- (a) a company controlled by that Person, or
- (b) an Affiliate of that Person or an Affiliate of any company controlled by that Person.

"**Agency Agreement**" means the agency agreement between the Corporation and the Agent dated ●, 2018.

"**Agent**" means Hampton Securities Limited.

"**Agent's Commission**" means the commission issued by the Corporation to the Agent equal to 10% of the gross proceeds from the sale of the Offered Shares, payable in cash.

"**Agent's Option**" means the non-transferrable option issued by the Corporation to the Agent entitling the Agent to acquire up to 10% of the total number of Offered Shares sold under the Offering (being 400,000 common shares in the case of the Minimum Offering, and 600,000 common shares in the case of the Maximum Offering or 690,000 common shares if the Overallotment Option is exercised in full) at a price of \$0.10 per common share. The Agent may exercise all or part of the Agent's Option at any time for a period ending 24 months from the date of listing of the common shares on the Exchange.

"**Aggregate Pro Group**" means all Persons who are members of any "Pro Group" whether or not the Member is involved in a contractual relationship with the Corporation to provide financing sponsorship and other advisory services, and specifically means:

- (a) Subject to subparagraphs (b), (c) and (d) "**Aggregate Pro Group**" shall include, either individually or as a group:
  - (i) the Member;
  - (ii) employees of the Member;
  - (iii) partners, officers and directors of the Member;
  - (iv) Affiliates of the Member; and
  - (v) Associates of any parties referred to in subparagraphs (i) through (iv);
- (b) The Exchange may, in its discretion, include a Person or party in the "**Aggregate Pro Group**" for the purposes of a particular calculation where the Exchange determines that the Person is not acting at arm's length to the Member;

- (c) The Exchange may, in its discretion, exclude a Person from the "**Aggregate Pro Group**" for the purposes of a particular calculation where the Exchange determines that the Person is acting at arm's length to the Member;
- (d) The Member may deem a Person who would otherwise be included in the "**Aggregate Pro Group**" pursuant to subparagraph (a) to be excluded from the "**Aggregate Pro Group**" where the Member determines that:
  - (i) the Person is an Affiliate or Associate of the Member acting at arm's length of the Member;
  - (ii) the Associate or Affiliate has a separate corporate and reporting structure;
  - (iii) there are sufficient controls on information flowing between the Member and the Associate or Affiliate; and
  - (iv) the Member maintains a list of such excluded Persons.

"**Agreement in Principle**" means any enforceable agreement or any other agreement or similar commitment which identifies the fundamental terms upon which the parties agree or intend to agree which:

- (a) identifies assets or a business to be acquired which would reasonably appear to constitute Significant Assets and the acquisition of which would reasonably appear to constitute a Qualifying Transaction;
- (b) identifies the parties to the Qualifying Transaction;
- (c) identifies the consideration to be paid for the Significant Assets or otherwise identifies the means by which the consideration will be determined; and
- (d) identifies the conditions to any further formal agreements to complete the transaction; and

in respect of which there are no material conditions to closing (other than receipt of shareholder approval and Exchange acceptance), the satisfaction of which is dependent upon third parties and beyond the reasonable control of the Non-Arm's Length Parties to the CPC or the Non-Arm's Length Parties to the Qualifying Transaction.

"**Associate**" when used to indicate a relationship with a Person, means:

- (a) an Issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10 percent of the voting rights attached to all outstanding voting securities of the Issuer;
- (b) any partner of the Person;
- (c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which the Person serves as trustee or in a similar capacity; and
- (d) in the case of a Person who is an individual:
  - (i) that Person's spouse or child, or
  - (ii) any relative of that Person or of his spouse who has the same residence as that person;

but

- (e) where the Exchange determines that two Persons shall, or shall not, be deemed to be Associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of applicable Exchange rules with respect to that Member firm, Member corporation or holding company.

"**Closing**" means the completion of the Offering.

"**Closing Date**" means the date the Offering is completed.

"**common shares**" means the common shares without par value in the share capital of the Corporation.

"**company**" unless specifically indicated otherwise, means a corporation, unincorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

"**Completion of the Qualifying Transaction**" means the date the Final Exchange Bulletin is issued by the Exchange.

"**Control Person**" means any Person that holds or is one of a combination of Persons that holds a sufficient number of any of the securities of an Issuer so as to affect materially the control of that Issuer, or that holds more than 20% of the outstanding voting securities of an Issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the Issuer.

"**Corporate Finance Fee**" means the \$25,000 (plus H.S.T. of \$3,250) payable to the Agent under the Agency Agreement, of which \$12,500 has been paid and is non-refundable with the remaining \$12,500 to be paid in cash at the time of Closing.

"**Corporation**" means XAU Resources Inc., a corporation incorporated under the *Canada Business Corporations Act*, having its registered office in the City of Toronto, in the Province of Ontario.

"**CPC**" means a corporation:

- (a) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities regulatory authorities in compliance with the CPC Policy; and
- (b) in regard to which the Final Exchange Bulletin has not yet been issued. "**CPC Policy**" means Policy 2.4 – *Capital Pool Companies* of the Exchange.

"**CRA**" means Canada Revenue Agency.

"**Escrow Agent**" means TSX Trust Company, a trust company having an office in Toronto, Ontario, and the corporation's registrar and transfer agent.

"**Exchange**" or "**TSXV**" means the TSX Venture Exchange Inc.

"**Final Exchange Bulletin**" means the Exchange bulletin issued following closing of the Qualifying Transaction and the submission of all required documentation that evidences the final Exchange acceptance of the Qualifying Transaction.

"**Final Receipt**" means the receipt issued for this prospectus by the Principal Regulator pursuant to National Policy 11-102 – Process for Prospectus Reviews in Multiple Jurisdictions.

"**Incentive Stock Option Plan**" means the Corporation's stock option plan pursuant to which the Corporation may issue non-transferrable options to its directors, officers and technical consultants to purchase Common Shares, provided that the number of Common Shares received for issue will not exceed 10% of the Corporation's issued and outstanding common shares.

"**Initial Listing Requirements**" means the minimum financial, distribution and other standards that must be met by applicants seeking a listing on a particular tier of the Exchange.

"**Initial Public Offering**" or "**IPO**" means a transaction that involves an Issuer issuing securities from its treasury pursuant to its first prospectus.

"**Insider**" if used in relation to an Issuer means:

- (a) a director or officer of the Issuer;
- (b) a Person who performs functions similar to those normally performed by a director or officer;
- (c) a director or officer of the company that is an Insider or subsidiary of the Issuer;

- (d) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the Issuer; or
- (e) the Issuer itself, if it holds any of its own securities.

"**Issuer**" means a company and its subsidiaries which have any of its securities listed for trading on the Exchange and, as the context requires, any applicant company seeking a listing of its securities on the Exchange.

"**Listing Date**" means the date of listing of the common shares on the Exchange.

"**Majority of the Minority Approval**" means the approval of a Non-Arm's Length Qualifying Transaction by the majority of the votes cast by shareholders, other than:

- (a) Non-Arm's Length Parties to the CPC;
- (b) Non-Arm's Length Parties to the Qualifying Transaction; and
- (c) in the case of a Related Party Transaction:
  - (i) if the CPC holds its own shares, the CPC, and
  - (ii) a Person acting jointly or in concert with a Person referred to in paragraph (a) or (b) in respect of the transaction;

at a properly constituted meeting of the common shareholders of the CPC.

"**Maximum Offering**" means the Offering of a maximum of 6,000,000 common shares at a price of \$0.10 per common share.

"**Member**" means a Person who has executed the Members' Agreement, as amended from time to time, and is accepted as and becomes a member of the Exchange under the Exchange requirements.

"**Members' Agreement**" means the members' agreement among the Exchange and each Person who, from time to time, is accepted as and becomes a member of the Exchange under the Exchange requirements.

"**Minimum Offering**" means the Offering of a minimum of 4,000,000 common shares at a price of \$0.10 per common share.

"**NEX**" means a market on which former Exchange and Toronto Stock Exchange Issuers that do not meet Exchange tier maintenance requirements for Tier 2 issuers may continue to trade.

"**NI 41-101**" means National Instrument 41-101 General Prospectus Requirements.

"**Non-Arm's Length Party**" means:

- (a) in relation to a company:
  - (i) a Promoter, officer, director, other Insider or Control Person of that company (including an Issuer) and any Associates or Affiliates of any of such Persons; or
  - (ii) another entity or an Affiliate of that entity, if that entity or its Affiliate have the same Promoter, officer, director, Insider or Control Person as the company.
- (b) In relation to an individual, means any Associate of the individual or any company of which the individual is a Promoter, officer, director, Insider or Control Person.

"**Non-Arm's Length Parties to the Qualifying Transaction**" means the Vendor(s), any Target Company (ies) and includes, in relation to Significant Assets or Target Company (ies), the Non-Arm's Length Parties of the Vendor(s), the Non-Arm's

Length Parties of any Target Company (ies) and all other parties to or associated with the Qualifying Transaction and Associates or Affiliates of all such other parties.

**"Non-Arm's Length Qualifying Transaction"** means a proposed Qualifying Transaction where the same party or parties or their respective Associates or Affiliates are control persons in both the CPC and in relation to the Significant Assets which are the subject of the proposed Qualifying Transaction.

**"Offered Shares"** means a minimum of 4,000,000 common shares and a maximum of 6,000,000 common shares in the capital of the Corporation, to be offered by the Corporation through the Agent for aggregate gross proceeds of a minimum of \$400,000 up to a maximum of \$600,000.

**"Offering"** means the Minimum Offering and Maximum Offering of Offered Shares in accordance with the terms of this prospectus.

**"Offering Jurisdictions"** means the provinces of Ontario, British Columbia and Alberta and such other jurisdictions where the Offered Shares may be sold without requirement for registration or filing of a prospectus.

**"Optionee" or "Optionees"** means the recipient of a stock option under the Incentive Stock Option Plan.

**"Overallotment Option"** means the Agent's right to purchase an additional 15% of the number of common shares offered in the Offering, exercisable for a period of 30 days after the Closing.

**"Overallotment Shares"** means the up to 900,000 common shares issuable pursuant to the Overallotment Option at a price of \$0.10 per Overallotment Share.

**"Person"** means a company or individual.

**"Principal"** means:

- (a) a Person who acted as a Promoter of the Issuer within two years or their respective Associates or Affiliates, before the IPO prospectus or Final Exchange Bulletin;
- (b) a director or senior officer of the Issuer or any of its material operating subsidiaries at the time of the IPO prospectus or Final Exchange Bulletin;
- (c) a 20% holder – a Person that holds securities carrying more than 20% of the voting rights attached to the Issuer's outstanding securities immediately before and immediately after the Issuer's IPO or immediately after the Final Exchange Bulletin for non IPO transactions;
- (d) a 10% holder – a Person that:
  - (i) holds securities carrying more than 10% of the voting rights attached to the Issuer's outstanding securities immediately before and immediately after the Issuer's IPO or immediately after the Final Exchange Bulletin for non IPO transactions; and
  - (ii) has elected or appointed, or has the right to elect or appoint, one or more directors or senior officers of the Issuer or any of its material operating subsidiaries.

The foregoing percentages include securities that may be issued to the holder under outstanding convertible securities in both the holder's securities and the total securities outstanding.

A company, trust, partnership or other entity more than 50% held by one or more Principals will be treated as a Principal. (In calculating this percentage, include securities of the entity that may be issued to the Principal under outstanding convertible securities in both the Principals' securities of the entity and the total securities of the entity outstanding.) Any securities of the Issuer that this entity holds will be subject to escrow requirements.

A Principal's spouse and their relatives that live at the same address as the Principal will also be treated as Principals and any securities of the Issuer they hold will be subject to escrow requirements.

**"Pro Group"** has the meaning specified in Exchange Policy 1.1 – *Interpretation*.

**"Promoter"** has the meaning specified in section 1(1) of the *Securities Act* (Ontario).

**"Qualifying Transaction"** means a transaction where a CPC acquires Significant Assets, other than cash, by way of purchase, amalgamation, merger or arrangement with another company or by other means.

**"Related Party Transaction"** has the meaning ascribed to that term under Exchange Policy 5.9 – *Protection of Minority Security holders in Special Transactions*, and includes a related party transaction that is determined by the Exchange, to be a Related Party Transaction. The Exchange may deem a transaction to be a Related Party Transaction where the transaction involves Non-Arm's Length Parties, or other circumstances exist which may compromise the independence of the Issuer with respect to the transaction.

**"Resulting Issuer"** means the Issuer that was formerly a CPC that exists upon issuance of the Final Exchange Bulletin.

**"SEDAR"** means System for Electronic Document Analysis and Retrieval.

**"Seed Share Escrow Agreement"** means the escrow agreement dated •, 2018 between the Corporation, the Escrow Agent and certain shareholders of the Corporation.

**"Seed Shares"** means the 4,000,000 common shares issued by the Corporation prior to the Closing, at a price of \$0.05 per common share.

**"Significant Assets"** means one or more assets or businesses which, when purchased, optioned or otherwise acquired by the CPC, together with any other concurrent transactions, would result in the CPC meeting the Initial Listing Requirements.

**"Sponsor"** has the meaning specified in Exchange Policy 2.2 – *Sponsorship and Sponsorship Requirements*.

**"Stock Options"** means between 800,000 options assuming completion of a Minimum Offering and up to 1,000,000 options assuming completion of a Maximum Offering, or 1,090,000 common shares assuming the completion of the Maximum Offering and full exercise of the Overallotment Option, to purchase common shares of the Corporation, exercisable at a price of \$0.10 per common share, to be granted concurrently with the Closing to its directors and officers, as described in *"Options to Purchase Securities"*.

**"Target Company"** means a company to be acquired by the CPC as its Significant Asset pursuant to a Qualifying Transaction.

**"Vendors"** means one or all of the beneficial owners, of the Significant Assets (other than a Target Company).

## PROSPECTUS SUMMARY

*The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus.*

**Business of the Corporation:** The principal business of the Corporation will be the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction. The Corporation has not commenced commercial operations and has no assets other than a minimum amount of cash. The Corporation has commenced the process of identifying potential acquisitions. To date, the Corporation has not yet identified a company or assets for a potential Qualifying Transaction. Furthermore, the Corporation has not entered into an Agreement in Principle. An acquisition financed by the issuance of treasury shares could result in a change of control of the Corporation and may cause the shareholders' interest in the Corporation to be reduced. See "*Business of the Corporation*".

**Offering:** The Offering consists of a Minimum Offering of 4,000,000 Offered Shares for gross proceeds of \$400,000 and a Maximum Offering of 6,000,000 Offered Shares for gross proceeds of \$600,000, which are being offered and qualified under this prospectus at a price of \$0.10 per common share. In addition, the Corporation will issue to the Agent, the Agent's Option to purchase that number of common shares equal to 10% of the aggregate number of Offered Shares sold pursuant to this Offering, being 400,000 common shares in the event of a Minimum Offering and 600,000 common shares in the event of a Maximum Offering (or up to 690,000 common shares in the event that the Overallotment Option is exercised in full), at a price of \$0.10 per common share and which may be exercised for a period of 24 months from the Listing Date. The Agent's Option and the common shares acquired by the Agent upon exercise of the Overallotment Option are qualified for distribution under this prospectus. See "*Plan of Distribution*".

The Corporation also intends to grant Stock Options concurrently with the Closing, to purchase an aggregate of between 800,000 common shares assuming completion of a Minimum Offering or 1,000,000 common shares assuming completion of a Maximum Offering, to the current directors and officers of the Corporation, all of which Stock Options are qualified for distribution under this prospectus. Such options will be exercisable at \$0.10 per common share for a period of five years from the Closing Date. See "*Options to Purchase Securities - Stock Options*" and "*Plan of Distribution*".

The Corporation has granted to the Agent the Overallotment Option exercisable in whole or in part, at the discretion of the Agent, for a period of 30 days following the date of closing, to purchase or arrange for the purchase of up to such number of additional common shares as is equal to 15% of the aggregate number of common shares sold under the Offering. See "*Plan of Distribution*". This prospectus qualifies the distribution of all such securities.

**Agent's Option:** The Agent will be granted an option to purchase that number of common shares that is equal to 10% of the number of common shares subscribed for under this Offering, exercisable at a price of \$0.10 per common share for a period of 24 months after the Closing Date. The Agent's Option is qualified for distribution pursuant to this prospectus. See "*Plan of Distribution*".

**Use of Proceeds:** The net proceeds available to the Corporation, including total cash proceeds raised prior to this Offering and total proceeds of this Offering, net of all Offering expenses and Agent's Commission, will be approximately \$456,250 in the event of a Minimum Offering, \$636,250 in the event of a Maximum Offering or \$717,250 in the event the Overallotment Option is exercised in full. The net proceeds available will provide the Corporation with a minimum of funds with which to identify and evaluate assets or businesses, for acquisition with a view to completing a Qualifying Transaction. The Corporation may not have sufficient funds to secure such businesses or assets once identified and evaluated and additional funds may be required. Until Completion of the

Qualifying Transaction and except as otherwise provided in the CPC Policy, a maximum of the lesser of \$210,000 and 30% of the gross proceeds realized may be used for purposes other than evaluating businesses or assets. See "*Use of Proceeds*".

**Directors and Officers:**

The directors and officers of the Corporation and the positions held by each of them are as follows:

Gairat Gary Bay	President, Chief Executive Officer, Promoter and Director
Enrico Visentini	Chief Financial Officer and Corporate Secretary
Dr. Pavel Maslovskiy	Director
Peter Hambro	Director
Alexey Maslovskiy	Director
Dr. Nataliya Hearn	Director
Dan Hrushewsky	Director

See "Directors, Officers and Promoter" and "Promoters".

**Escrow:**

All of the 4,000,000 Seed Shares issued by the Corporation prior to the Closing will be deposited in escrow pursuant to the terms of the Seed Share Escrow Agreement, and will be released in stages over a period of up to three years after the date of the Final Exchange Bulletin. See "*Escrowed Securities*".

**Dividend Policy:**

It is not contemplated that any dividends will be paid on the common shares in the immediate or foreseeable future. See "*Description of Share Capital - Dividend Record and Policy*".

**Risk Factors:**

Investment in the Offered Shares must be regarded as highly speculative due to the proposed nature of the Corporation's business and its present stage of development. The Corporation was only recently incorporated and has no active business or assets other than cash. The Corporation does not have a history of earnings, nor has it paid any dividends and will not generate earnings or pay dividends until at least after the Completion of the Qualifying Transaction. **The Offering is only suitable to investors who are prepared to rely entirely on the directors and management of the Corporation and can afford to risk the loss of their entire investment.** The directors and officers of the Corporation will devote only part of their time and attention to the affairs of the Corporation and there are potential conflicts of interest to which some of the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. Assuming completion of the Offering, an investor will suffer an immediate dilution (based on the gross proceeds from this and prior issuances without deduction of selling and related expenses) per Offered Share of approximately \$0.025 or 25% in the event of a Minimum Offering and \$0.020 or 20% in the event of a Maximum Offering.

There can be no assurance that an active and liquid market for the Corporation's common shares will develop and an investor may find it difficult to resell the Offered Shares. Until Completion of the Qualifying Transaction, the Corporation will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction. The Corporation has only limited funds with which to identify and evaluate possible Qualifying Transactions and there can be no assurance that the Corporation will be able to identify or complete a suitable Qualifying Transaction.

The Qualifying Transaction may involve the acquisition of a business or assets located outside of Canada. It may therefore be difficult or impossible to effect service or notice to commence legal proceedings upon any directors, officers and experts outside of Canada and it may not be possible to enforce against such persons or companies judgments obtained in Canadian courts predicated upon the civil liability provisions applicable to securities laws in Canada. See "*Business of the Corporation*", "*Directors, Officers and*

*Promoter*", "*Capitalization*", "*Dilution*", "*Risk Factors*" and "*Directors, Officers and Promoter - Conflicts of Interest*".

## THE CORPORATION

The Corporation was incorporated on June 18, 2018 pursuant to the provisions of the *Canada Business Corporations Act* under the name "XAU Resources Inc.". The articles were amended on November 28, 2018 to remove the restrictions against share transfers and other restrictions applicable to private issuers.

The registered office and head office of the Corporation is located at 4100-66 Wellington Street West, P.O. Box 35, TD Bank Tower, Toronto, ON M5K 1B7.

## BUSINESS OF THE CORPORATION

### Preliminary Expenses

To date, the Corporation has raised \$200,000 through the sale of 4,000,000 common shares. (See "*Prior Sales*" and "*Capitalization*"). As at the date hereof, the Corporation has paid \$12,500 to the Agent representing the non-refundable portion of the Corporate Finance Fee. In addition, the Corporation has paid \$5,000 (plus H.S.T.) to the Exchange, as part of the Corporation's initial listing fee.

Part of the net proceeds of the Offering will be utilized to satisfy the obligations of the Corporation related to this Offering, including the fees and commissions of the Agent, the expenses of its auditors, legal counsel and the Agent's legal counsel and the filing fees of the Exchange and applicable securities regulatory authorities. See "*Use of Proceeds*".

### Proposed Operations until Completion of a Qualifying Transaction

The Corporation proposes to identify and evaluate businesses and assets with a view to completing a Qualifying Transaction. Any proposed Qualifying Transaction must be accepted by the Exchange and, in the case of a Non-Arm's Length Qualifying Transaction, is also subject to Majority of the Minority Approval in accordance with the CPC Policy. The Corporation has not conducted commercial operations. The Corporation currently intends to pursue a Qualifying Transaction in the mining and exploration industry but there is no assurance that this will in fact be the business sector of a proposed Qualifying Transaction or of the Corporation following completion of the Qualifying Transaction.

Until Completion of a Qualifying Transaction, the Corporation will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential Qualifying Transaction. With the consent of the Exchange, this may include the raising of additional funds in order to finance an acquisition. Except as described under "*Use of Proceeds - Private Placement for Cash*" and "*Use of Proceeds - Restrictions on Use of Proceeds*", the funds raised pursuant to this Offering and any subsequent financing will be utilized only for the identification and evaluation of potential Qualifying Transactions and not for any deposit, loan or direct investment in a potential acquisition.

Although the Corporation has commenced the process of identifying potential acquisitions with a view to completing the Qualifying Transaction, the Corporation has not yet entered into an Agreement in Principle.

### Method of Financing

The Corporation may use cash, bank financing, the issuance of treasury shares, public debt or equity financing or a combination of these for the purpose of financing its proposed Qualifying Transaction. **A Qualifying Transaction financed by the issue of treasury shares could result in a change in the control of the Corporation and may cause the shareholders' interest in the Corporation to be further diluted.**

### Criteria for a Qualifying Transaction

The board of directors of the Corporation proposes to identify acquisitions of interests in assets or businesses through discussions with various business associates and contacts of the Corporation's officers and directors. Once a prospective acquisition target has been identified and evaluated, the Corporation will proceed to negotiate the terms upon which it may acquire an interest in the asset or business. The board of directors must approve any proposed Qualifying Transaction. In exercising their powers and discharging their duties in relation to a proposed Qualifying Transaction, the directors will act

honestly and in good faith having regard to the best interests of the Corporation and will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

### **Filings and Shareholder Approval of a Non-Arm's Length Qualifying Transaction**

Upon the Corporation reaching an Agreement in Principle, the Corporation must issue a comprehensive news release, at which time the Exchange generally will halt trading in the Corporation's common shares until the filing requirements of the Exchange have been satisfied as set forth under "*Business of the Corporation - Trading Halts, Suspensions and Delisting*". Within 75 days after issuance of such news release, the Corporation is required to submit for review to the Exchange either an information circular that complies with applicable corporate and securities laws or a filing statement that complies with Exchange requirements. An information circular must be submitted where there is a Non-Arm's Length Qualifying Transaction. A filing statement must be submitted where the Qualifying Transaction is not a Non-Arm's Length Qualifying Transaction. The information circular or filing statement, as applicable, must contain prospectus level disclosure of the Target Company and the Corporation, assuming Completion of the Qualifying Transaction, and be prepared in accordance with the CPC Policy and Form 3B1 or Form 3B2, as the case may be, of the Exchange. Upon acceptance by the Exchange, the Corporation must then either:

- (a) file the filing statement on SEDAR at least seven business days prior to closing of the Qualifying Transaction, and issue a news release which discloses the scheduled closing date for the Qualifying Transaction as well as the fact that the filing statement is available on SEDAR, or
- (b) mail the information circular and related proxy material to its shareholders and file same on SEDAR in order to obtain the Majority of the Minority Approval of the Qualifying Transaction or other requisite approval, at a meeting of shareholders.

Unless waived by the Exchange, the Corporation will also be required to retain a Sponsor, who must be a Member of the Exchange, and who will be required to submit to the Exchange a sponsor report prepared in accordance with the policies of the Exchange. The Corporation will no longer be considered to be a CPC upon the Exchange having issued the Final Exchange Bulletin. The Exchange will generally not issue the Final Exchange Bulletin until the Exchange has received:

- (a) in the case of a Non-Arm's Length Qualifying Transaction, confirmation of Majority of Minority Approval of the Qualifying Transaction;
- (b) confirmation of closing of the Qualifying Transaction; and
- (c) all post-meeting or final documentation, as applicable, otherwise required to be filed with the Exchange pursuant to the CPC Policy.

Upon issuance of the Final Exchange Bulletin, the CPC Policy will generally cease to apply, with the exception of the escrow provisions of the CPC Policy and the restrictions in the CPC Policy precluding the Corporation from completing a reverse takeover for a period of one year from the Completion of the Qualifying Transaction.

### **Initial Listing Requirements**

The Resulting Issuer must satisfy the Exchange's Initial Listing Requirements for the particular industry sector in either Tier 1 or Tier 2 as prescribed under the applicable policies of the Exchange.

### **Trading Halts, Suspensions and Delisting**

The Exchange will generally halt trading in the common shares from the date of the public announcement of an Agreement in Principle until all filing requirements of the Exchange have been satisfied, which includes the submission of a sponsorship acknowledgment form, where the Qualifying Transaction is subject to sponsorship. In addition, personal information forms, or, if applicable, declarations, for all individuals who may be directors, senior officers, Promoters, or Insiders of the Resulting Issuer must be filed with the Exchange and any preliminary background searches that the Exchange considers necessary or advisable, must also be completed, before the trading halt will be lifted by the Exchange.

Even if all filing requirements have been satisfied and preliminary background checks completed, the Exchange may continue or reinstate a halt in trading of the common shares for public policy reasons including:

- (a) the unacceptable nature of the business of the Resulting Issuer, or
- (b) the number of conditions precedent to, or the nature and number of deficiencies required to be resolved prior to, completion of the Qualifying Transaction, are so significant or numerous as to make it appear to the Exchange that the halt should be reinstated or continued.

A trading halt may also be imposed by the Exchange where the Corporation fails to file the supporting documents relating to the Qualifying Transaction within a period of 75 days after public announcement of the Agreement in Principle or if the Corporation fails to file post-meeting or final documents, as applicable, within the time required. A trading halt may also be imposed if a Sponsor terminates its sponsorship.

The Exchange may suspend from trading or delist the common shares of the Corporation where the Exchange has not issued a Final Exchange Bulletin to the Corporation within 24 months of the date of listing. In the event that the common shares of the Corporation are delisted by the Exchange, within 90 days from the date of such delisting, the Corporation shall wind up and shall make a pro rata distribution of its remaining assets to its shareholders, unless shareholders, pursuant to a majority vote exclusive of the votes of Non-Arm's Length Parties to the Corporation, determine to deal with the remaining assets in some other manner. See "*Business of the Corporation - Filings and Shareholder Approval of a Non-Arm's Length Qualifying Transaction*".

If the Corporation does not complete a Qualifying Transaction within 24 months of the date of listing, it may apply for listing on NEX rather than be delisted. In order to be eligible to list on the NEX, the Corporation must:

- (a) either: (i) cancel all escrowed common shares purchased by Non-Arm's Length Parties to the Corporation at a discount to the Offering price, in accordance with section 11.2(a) of the CPC Policy, as if the Corporation had delisted from the Exchange or (ii) subject to majority shareholder approval, cancel the escrowed common shares purchased by Non-Arm's Length Parties to the Corporation so that the average cost of the remaining Seed Shares is at least equal to the Offering price; and
- (b) obtain majority shareholder approval for the transfer to NEX, exclusive of the votes of Non-Arm's Length Parties of the Corporation.

If the Corporation's common shares are listed on NEX, it must continue to comply with all requirements and restrictions of the CPC Policy.

### **Refusal of Qualifying Transaction**

The Exchange, in its sole discretion, may not accept a Qualifying Transaction where:

- (a) the Resulting Issuer fails to satisfy the applicable Initial Listing Requirements of the Exchange;
- (b) the aggregate number of securities of the Resulting Issuer owned, directly or indirectly, by:
  - (i) a member firm of the Exchange;
  - (ii) registrants, unregistered corporate finance professionals, employee shareholders and partners of such member firm; and
  - (iii) associates of any such person,
 collectively, would exceed 20% of the issued and outstanding securities of the Resulting Issuer;
- (c) the Resulting Issuer will be a financial institution, finance company, finance issuer or mutual fund, as defined in the securities legislation;
- (d) the majority of the directors and senior officers of the Resulting Issuer are not residents of Canada or the United States or are individuals who have not demonstrated positive association as directors or officers with public companies that are subject to a regulatory regime comparable to the companies listed on a Canadian exchange; or

- (e) notwithstanding the definition of a Qualifying Transaction, there is any other reason for denying acceptance of the Qualifying Transaction.

## USE OF PROCEEDS

### Proceeds and Principal Purposes

The gross proceeds to be received by the Corporation from the sale of the Offered Shares offered by this prospectus will be \$400,000 in the event of a Minimum Offering and \$600,000 in the event of Maximum Offering. The gross proceeds received by the Corporation from the sale of common shares prior to the date of this Prospectus were \$200,000. The expenses and costs associated with the Offering, including the Agent's Commission, are expected to be in the order of approximately \$140,000 in the event of a Minimum Offering and \$160,000 in the event of a Maximum Offering. All such costs and expenses will be paid from the working capital of the Corporation, which will include the proceeds of the Offering. The total estimated funds available to the Corporation, including total cash proceeds raised prior to this Offering and total proceeds of this Offering, net of all Offering expenses and Agent's Commission, will be approximately \$460,000 in the event of a Minimum Offering, \$640,000 in the event of a Maximum Offering or \$721,000 in the event the Overallotment Option is exercised in full.

The following indicates the principal uses to which the Corporation proposes to use the total funds available to the Corporation upon the completion of this Offering:

Item	Minimum Offering	Maximum Offering	Maximum Offering and Full Exercise of Overallotment Option
Gross cash proceeds raised prior to the Offering (Seed Shares) <sup>(1)</sup>	\$200,000	\$200,000	\$200,000
Expenses and costs relating to raising Seed Share proceeds	(\$0) <sup>(2)</sup>	(0) <sup>(2)</sup>	(0) <sup>(2)</sup>
Gross cash proceeds to be raised pursuant to the Offering	\$400,000	\$600,000	\$690,000
<b>Gross Cash Proceeds</b>	<b>\$600,000</b>	<b>\$800,000</b>	<b>\$890,000</b>
<b>Expenses and costs relating to this Offering<sup>(3)</sup></b>			
Listing and Filing Fees	\$25,000	\$25,000	\$25,000
Agent's Expenses			
Commission (10%)	\$40,000	\$60,000	\$69,000
Corporate Finance Fee	\$25,000	\$25,000	\$25,000
Legal Fees	\$15,000	\$15,000	\$15,000
Offering Costs			
Legal Expenses	\$25,000	\$25,000	\$25,000
Accounting	\$10,000	\$10,000	\$10,000
Printing	\$1,500	\$1,500	\$1,500
Transfer Agent	\$2,250	\$2,250	\$2,250
<b>Total Expenses and Costs Relating to this Offering</b>	<b>\$143,750</b>	<b>\$163,750</b>	<b>\$172,250</b>
<b>Estimated funds available on completion of the Offering<sup>(4)</sup></b>	<b>\$456,250</b>	<b>\$636,250</b>	<b>\$717,250</b>
<b>Estimated general and administrative expenses until Completion of a Qualifying Transaction</b>	<b>\$50,000</b>	<b>\$50,000</b>	<b>\$50,000</b>
<b>Funds available for identifying and evaluating assets or business prospects<sup>(4)(5)</sup></b>	<b>\$406,250</b>	<b>\$586,250</b>	<b>\$667,250</b>
<b>TOTAL NET PROCEEDS</b>	<b>\$456,250</b>	<b>\$636,250</b>	<b>\$717,250</b>

**Notes:**

(1) See "Prior Sales".

(2) No issue costs have been allocated towards the issuance of these common shares. See the Corporation's balance sheet as at October 31, 2018.

(3) Of these costs and expenses, approximately \$0, excluding taxes, has been incurred to date.

(4) In the event the Agent exercises the Agent's Option and the directors and officers exercise their Stock Options, there will be available to the Corporation an additional \$120,000 in the event of the Minimum Offering, \$160,000 in the event of the Maximum Offering or and \$169,000 in the event the Maximum Offering is completed and the Overallotment Option is exercised in full, an additional \$90,000 in gross proceeds may be

realized. There is no assurance that any of these options will be exercised.

- (5) In the event that the Corporation enters into an Agreement in Principle prior to spending the entire \$456,250 in the event of a Minimum Offering, \$636,250 in the event of a Maximum Offering, or \$717,250 in the event the Overallotment Option is exercised in full, on identifying and evaluating assets or businesses, the remaining funds may be used to finance or partially finance the acquisition of Significant Assets or for working capital after Completion of the Qualifying Transaction

Until required for the Corporation's purposes, the proceeds will be invested only in securities of, or those guaranteed by, the Government of Canada or any Province or Territory of Canada or the Government of the United States of America, in certificates of deposit or interest bearing accounts of Canadian chartered banks, trust companies or credit unions.

The proceeds from this Offering and any prior sale of common shares, after deducting the expenses associated with this Offering, will only be sufficient to identify and evaluate a finite number of assets and businesses, and additional funds may be required to finance any acquisition to which the Corporation may commit.

### **Permitted Use of Funds**

Until the Completion of the Qualifying Transaction and except as otherwise specifically provided by the CPC Policy and described in "*Use of Proceeds - Restrictions on Use of Proceeds*", "*Use of Proceeds - Private Placements for Cash*", and "*Use of Proceeds - Prohibited Payments to Non-Arm's Length Parties*", the gross proceeds realized from the sale of all securities issued by the Corporation will be used by the Corporation only to identify and evaluate businesses or assets and obtain shareholder approval for a proposed Qualifying Transaction.

The proceeds may be used for expenses incurred for the preparation of:

- (i) valuations or appraisals;
- (ii) business plans;
- (iii) feasibility studies and technical assessments;
- (iv) sponsorship reports;
- (v) engineering or geological reports;
- (vi) financial statements, including audited financial statements;
- (vii) fees for legal and accounting services; and
- (viii) agent's fees, costs and commissions,

relating to the identification and evaluation of assets or businesses and, in the case of a Non-Arm's Length Qualifying Transaction, the obtaining of shareholder approval for the Corporation's proposed Qualifying Transaction.

In addition, with the prior acceptance of the Exchange, up to an aggregate of \$225,000 may be advanced as a refundable deposit or secured loan by the Corporation to a Vendor or Target Company, as the case may be, for a proposed arm's length Qualifying Transaction that has been publicly announced at least 15 days prior to the date of such advance, due diligence with respect to the Qualifying Transaction is well underway and either a Sponsor has been engaged or sponsorship has been waived by the Exchange. A maximum aggregate amount of \$25,000 may also be advanced as a non- refundable deposit, unsecured deposit or advance to a Vendor or Target Company, as the case may be, to preserve assets without the prior acceptance of the Exchange.

### **Restrictions on Use of Proceeds**

Until Completion of a Qualifying Transaction, not more than the lesser of 30% of the gross proceeds from the sale of all securities issued by the Corporation and \$210,000 will be used for purposes other than those described above. For greater certainty, expenditures which are not included in "*Use of Proceeds - Permitted Uses of Funds*", listed above, include:

- (a) listing and filing fees (including SEDAR fees);

- (b) other costs for the issuance of securities, (including legal, accounting and audit expenses) relating to the preparation and filing of this prospectus; and
- (c) administrative and general expenses of the Corporation, including:
  - (i) office supplies, office rent and related utilities;
  - (ii) printing costs (including the printing of this prospectus and share certificates);
  - (iii) equipment leases; and
  - (iv) fees for legal advice and audit expenses, other than those described above under "*Use of Proceeds - Permitted Use of Funds*".

Until Completion of a Qualifying Transaction, no proceeds will be used to acquire or lease a vehicle.

### **Private Placements for Cash**

After the Closing and until the Completion of the Qualifying Transaction, the Corporation will not issue any securities unless written acceptance of the Exchange is obtained before issuance. Prior to the completion of a Qualifying Transaction, the Exchange generally will not accept a private placement by the Corporation where the gross proceeds raised from the issuance of securities both prior to and pursuant to the Offering, together with any proceeds anticipated to be raised upon closing of the private placement, will exceed \$5,000,000. The only securities issuable pursuant to such a private placement will be common shares. Subject to certain limited exceptions, any common shares issued pursuant to the private placement to Non-Arm's Length Parties to the Corporation and to Principals of the Resulting Issuer will be subject to escrow.

### **Prohibited Payments to Non-Arm's Length Parties**

Except as described under "*Options to Purchase Securities*" and "*Use of Proceeds - Restrictions on Use of Proceeds*", the Corporation has not made, and until the Completion of the Qualifying Transaction will not make, any payment of any kind, directly or indirectly, to a Non-Arm's Length Party to the Corporation or a Non-Arm's Length Party to the Qualifying Transaction, or to a person engaged in investor relations activities, by any means, including:

- (a) remuneration, which includes but is not limited to salaries, consulting fees, management contract fees or directors' fees, finders' fees, loans, advances and bonuses; and
- (b) deposits and similar payments.

Further, no such payment will be made on or after the Completion of a Qualifying Transaction if such payment relates to services rendered or obligations incurred prior to or in connection with the Qualifying Transaction.

Notwithstanding the above, the Corporation may reimburse a Non-Arm's Length Party to the Corporation for reasonable expenses for office supplies, office rent and related utilities, equipment leases (excluding vehicle leases), and legal services (provided that neither the lawyer providing the legal services nor any member of the law firm providing the services is a Promoter of the Corporation or in the case of a law firm, no member of the firm, owns greater than 10% of the outstanding common shares of the Corporation), and the Corporation may also reimburse a Non-Arm's Length Party to the Corporation for reasonable out-of-pocket expenses incurred in pursuing the business of the Corporation described in "*Use of Proceeds - Permitted Use of Funds*".

The foregoing restrictions on the use of proceeds and prohibitions on payments to Non-Arm's Length Parties and persons engaged in investor relations activities continue to apply until the Completion of the Qualifying Transaction.

## **PLAN OF DISTRIBUTION**

### **Agency Agreement and Agent's Compensation**

Pursuant to the Agency Agreement, the Corporation has appointed the Agent as its agent to offer for sale on a commercially reasonable efforts basis to the public a minimum of 4,000,000 Offered Shares and a maximum of 6,000,000 Offered Shares,

at a price of \$0.10 per Offered Share for aggregate gross proceeds of \$400,000 in the event of a Minimum Offering and \$600,000 in the event of a Maximum Offering, subject to the terms and conditions in the Agency Agreement. The Agent will receive an Agent's Commission equal to 10% of the aggregate gross proceeds from the sale of the Offered Shares, payable in cash. In addition, the Corporation will pay the Agent a Corporate Finance Fee equal to \$25,000 (plus H.S.T. of \$3,250) of which \$12,500 has been paid and is non-refundable and the remaining \$12,500 to be paid in cash from the Offering proceeds at Closing. The Corporation will pay up to \$15,000 of the Agent's expenses, legal and search fees, plus disbursements and taxes.

The Corporation has also granted to the Agent an Overallotment Option, exercisable not later than 30 days after the date of closing, to sell up to such number of additional common shares as is equal to 15% of the aggregate number of common shares sold under the Offering. The Overallotment Option is exercisable in whole or in any part, at the Agent's sole discretion, only for the purposes of covering overallotments, if any, made by the Agent in connection with the Offering, and for market stabilization purposes. The Prospectus also qualifies the grant of the Overallotment Option and the distribution of the Overallotment Shares on exercise of the Overallotment Option. In the event that the Agent exercises the Overallotment Option in full, the number of common shares issued under the Offering assuming completion of a Maximum Offering will be 6,900,000, the price to the public will be \$690,000, the Agent's Commission will be \$69,000 cash and the Agent will receive 690,000 Agent's Options.

The Corporation has also agreed to grant to the Agent a non-transferable Agent's Option which entitles the Agent to purchase up to 10% of the total number of Offered Shares sold under the Offering at a price of \$0.10 per common share and which may be exercised for a period of 24 months from the Listing Date. In the event of a Minimum Offering, an aggregate of 400,000 Agent's Options will be granted and in the case of a Maximum Offering, 600,000 Agent's Options will be granted. In the event that the Agent exercises the Overallotment Option in full, an aggregate of 690,000 Agent's Options will be granted in the case of a Maximum Offering.

Not more than 50% of the aggregate number of common shares which can be acquired by the Agent on the exercise of the Agent's Option may be sold by the Agent prior to the Completion of the Qualifying Transaction. The remaining 50% may be sold after the Completion of the Qualifying Transaction.

The issuance of the Agent's Option shall be qualified by this prospectus to the maximum extent permitted by NI 41-101.

The Agent has agreed to use its commercially reasonable efforts to secure subscriptions for the Offered Shares offered hereunder on behalf of the Corporation and may make co-brokerage arrangements with other investment dealers at no additional cost to the Corporation. The obligations of the Agent under the Agency Agreement may be terminated at its sole discretion on the basis of its assessment of the state of financial markets and may also be terminated on the occurrence of certain events as stated in the Agency Agreement.

### **Commercially Reasonable Efforts Offering and Minimum Distribution**

The total Offering is for a minimum of 4,000,000 common shares and a maximum of 6,000,000 common shares (or 6,900,000 common shares if the Overallotment Option is exercised in full) at a price of \$0.10 per common share for total gross proceeds of \$400,000 in the event of a Minimum Offering and \$600,000 in the event of a Maximum Offering (or \$690,000 if the Overallotment Option is exercised in full). Under the CPC Policy, no purchaser is permitted to directly or indirectly purchase more than 2% of the total common shares in the Offering, or 80,000 common shares (\$8,000) in the event of a Minimum Offering, 120,000 common shares (\$12,000) in the event of a Maximum Offering or 138,000 common shares (\$13,800) in the event the Overallotment Option is exercised in full. In addition, the maximum number of common shares that may directly or indirectly be purchased by that purchaser, together with any Associates or Affiliates of that purchaser, is 4% of the total number of common shares in the Offering, or 160,000 common shares (\$16,000) in the event of a Minimum Offering, 240,000 common shares (\$24,000) in the event of a Maximum Offering or 276,000 common shares (\$27,600) in the event the Overallotment Option is exercised in full. The funds received from the Offering will be held by the Agent, and will not be released until proceeds of a minimum of \$400,000 have been deposited. The total subscription must be completed within 90 days of the date of the Final Receipt, or such other time as may be consented to by the Agent or persons or companies who subscribed within that period, failing which the Agent will remit the funds collected to the original subscribers without interest or deduction, unless subscribers have otherwise instructed the Agent.

### **Determination of Price**

The Offering price of the Offered Shares hereunder was determined by negotiation between the Corporation and the Agent.

## **Conditional Listing Approval**

The Corporation has applied to list its common shares on the Exchange. Listing will be subject to the Corporation fulfilling all of requirements of the Exchange.

## **Subscriptions by the Aggregate Pro Group**

All subscriptions by any member of the Aggregate Pro Group are subject to the applicable client priority rules and the general rule of the CPC Policy that no purchaser can: (i) directly or indirectly purchase more than 2% of the total Offered Shares offered under this Offering; and (ii) together with any Associates or Affiliates purchase more than 4% of the total Offered Shares offered under this Offering. Any common shares issued to any member of the Aggregate Pro Group prior to the date of this prospectus will be held in escrow pursuant to the CPC Policy.

Until Completion of the Qualifying Transaction, the aggregate number of common shares permitted to be owned directly or indirectly by the members of the Pro Group is 20% of the issued and outstanding common shares of the Corporation exclusive of common shares reserved for issuance at a future date. The Exchange will require that any securities issued to the Pro Group in connection with or in contemplation of the Qualifying Transaction will be required to be subject to a four-month Exchange hold period and the securities certificates legended accordingly, as prescribed by Exchange Policy 3.2 – *Filing Requirements and Continuous Disclosure*.

The Agent has advised the Corporation that to the best of its knowledge and belief, none of the directors, officers, employees or contractors of the Agent or any Associate or Affiliate of the foregoing have subscribed for Offered Shares of the Corporation prior to this Offering and any subscriptions for Offered Shares of the Corporation by such persons under this Offering will be in accordance with the CPC Policy and related policies of the Exchange.

## **Restrictions on Trading**

Other than the initial distribution of the Offered Shares pursuant to this prospectus, the grant of the Agent's Option and the Overallotment Option and the grant of the Stock Options to the directors and officers of the Corporation, no securities of the Corporation will be permitted to be issued during the period between the date a receipt for the preliminary prospectus is issued by the securities commission that is designated the principal regulator and the time the common shares are listed for trading on the Exchange, except subject to prior acceptance of the Exchange, where appropriate registration and prospectus exemptions are available under securities legislation or where the applicable securities regulatory authorities grant a discretionary order.

## **Restrictions on Offerings**

The Corporation has agreed not to sell or issue, or negotiate or enter into an agreement to sell or issue, any common shares (or securities convertible or exchangeable into common shares) for a period of 60 days following the Closing Date of the Offering, without the prior written consent of the Agent, not to be unreasonably withheld, other than pursuant to (i) the exercise of the Agent's Option as disclosed in this Prospectus; and (ii) the grant or exercise of stock options issued pursuant to the Corporation's stock option plan.

## **Other Securities to be Distributed**

The Corporation intends to grant Stock Options to purchase concurrently with the Closing, 800,000 common shares assuming completion of a Minimum Offering or 1,000,000 common shares assuming completion of a Maximum Offering or up to 1,090,000 in the event the Overallotment Option is exercised in full, to its current directors and officers in accordance with the policies of the Exchange, which options are qualified for distribution under this prospectus. See "*Options to Purchase Securities*".

## **DESCRIPTION OF SHARE CAPITAL**

### **Common Shares**

The Corporation is authorized to issue an unlimited number of common shares without nominal or par value of which, as at the date hereof, 4,000,000 are issued and outstanding as fully paid and non-assessable common shares in the capital of the

Corporation and 6,000,000 Offered Shares are reserved for issuance pursuant to the Maximum Offering. See "*Plan of Distribution*".

In addition, a maximum of 600,000 common shares are reserved for issuance pursuant to the Agent's Option, a maximum of 1,000,000 common shares are reserved for issuance to directors and officers pursuant to the Stock Options. An additional maximum of 900,000 common shares are reserved for issuance pursuant to the Over-Allotment Option and 90,000 common shares are reserved for issuance pursuant to the Agent's Option and an additional 90,000 common shares are reserved for issuance pursuant to the Stock Options if the Agent exercises the Over-allotment Option in full. All common shares to be outstanding after completion of the Offering will be fully paid and non-assessable common shares in the capital of the Corporation. See "*Plan of Distribution*" and "*Options to Purchase Securities*".

The holders of common shares are entitled to vote at all meetings of shareholders of the Corporation, to receive dividends if, as and when declared by the directors and to participate ratably in any distribution of property or assets upon the liquidation, winding-up or other dissolution of the Corporation.

As at the date of this prospectus, the Corporation has no outstanding loans or other debt obligations and there has been no material change in the common share and loan capital of the Corporation since the date of its most recent balance sheet contained in the prospectus. See "*Prior Sales*" and "*Options to Purchase Securities*".

### Preferred Shares

The Corporation is authorized to issue an unlimited number of preferred shares without nominal or par value of which, as at the date hereof, there are currently none issued and outstanding.

The Preferred Shares may be issued from time to time in one or more series, each series consisting of the number of shares and having the designation, rights, privileges, restrictions and conditions which the board of directors of the Corporation determines prior to the issue thereof. The Preferred Shares rank prior to the common shares with respect to the payment of dividends and distribution in the event of liquidation, dissolution or winding-up of the Corporation.

### Dividend Record and Policy

The Corporation has not paid any dividends on its outstanding common shares of the Corporation since the date of its incorporation. The future payment of dividends will be dependent upon the financial requirements of the Corporation to fund further growth, financial condition of the Corporation and other factors which the board of directors of the Corporation may consider in the circumstances. It is not contemplated that any dividends will be paid in the immediate or foreseeable future. All of the common shares of the Corporation are entitled to an equal share in any dividends declared and paid.

### CAPITALIZATION

The following table sets forth information respecting the capitalization of the Corporation as at the date of the balance sheet contained herein and as at the date hereof, both before and after giving effect to the Offering.

Designation of Security	Amount Authorized	Amount outstanding as of the date of the most recent balance sheet contained in the Prospectus <sup>(1)</sup>	Amount outstanding as of the date hereof <sup>(1)</sup>	Amount to be outstanding after giving effect to the Offering <sup>(2)(3)(4)(5)(6)</sup>	
				Minimum Offering	Maximum Offering
Common Shares	Unlimited	4,000,000 Common Shares (\$200,000)	4,000,000 Common Shares (\$200,000)	8,000,000 <sup>(7)</sup> Common Shares (\$600,000)	10,000,000 <sup>(5)</sup> Common Shares (\$800,000)
Preferred Shares	Unlimited	Nil	Nil	Nil	Nil

**Notes:**

- (1) As at the date of the most recent balance sheet contained herein and as at the date hereof, the Corporation had not commenced commercial operations.
- (2) The Corporation has reserved a maximum of 900,000 common shares at \$0.10 per common share for issuance should the Agent exercise its Over-allotment Option. See "*Plan of Distribution*".

- (3) Assuming completion of a Minimum Offering, a minimum of 800,000 common shares will be reserved for issuance pursuant to the Stock Options and, assuming completion of a Maximum Offering, 1,000,000 common shares (or 1,090,000 common shares if the Overallotment Option is exercised in full) will be reserved for issuance pursuant to the Stock Options, to be granted to directors and officers of the Corporation concurrently with the Closing and exercisable at a price per common share of \$0.10 for a period of five years from the date of grant. In addition, pursuant to the Agency Agreement, the Corporation has agreed to grant to the Agent, the Agent's Option on completion of the Offering to purchase an aggregate of between 400,000 common shares assuming the completion of a Minimum Offering and 600,000 common shares assuming the completion of a Maximum Offering (or 690,000 common shares if the Overallotment Option is exercised in full), at a price of \$0.10 per common share, for a period of 24 months from the Listing Date. Assumes that the balance of the Agent's Commission and Corporate Finance Fee will be paid in cash. See "Plan of Distribution" and "Options to Purchase Securities".
- (4) See "Use of Proceeds".
- (5) 4,000,000 of these common shares are subject to escrow restrictions. See "Escrowed Securities".
- (6) Excludes common shares issuable on exercise of the Overallotment Option. In the event the Overallotment Option is exercised in full, there will be 10,900,000 common shares, 690,000 Agent's Options and 1,090,000 Stock Options outstanding.
- (7) Represents gross proceeds of this Offering and prior issues of the Corporation, before deducting the expenses of the Offering, including the Agent's Commission equal to 10% of the gross proceeds from the sale of the Offered Shares, estimated at \$143,750, in the case of the Minimum Offering, \$163,750 in the case of the Maximum Offering or \$172,750 in the event the Overallotment Option is exercised. See "Use of Proceeds".

## Fully Diluted Share Capital

	Number of Common Shares		Percentage of Total	
	Minimum Offering	Maximum Offering	Minimum Offering	Maximum Offering
(a) Issued as of the date of this Prospectus <sup>(1)</sup>	4,000,000	4,000,000	43.48%	34.48%
(b) Offered under the Prospectus	4,000,000	6,000,000	43.48%	51.73%
(c) Common shares reserved for future issue <sup>(2)(3)</sup>	1,200,000	1,600,000	13.04%	13.79%
<b>Total</b>	<b>9,200,000</b>	<b>11,600,000</b>	<b>100%</b>	<b>100%</b>

### Notes:

- (1) See "Prior Sales".
- (2) The following common shares of the Corporation are reserved for future issuance:
- (i) in the case of the Minimum Offering, 400,000 common shares on exercise of the Agent's Option and 800,000 common shares pursuant to the stock option plan; and
  - (ii) in the case of the Maximum Offering, 600,000 common shares on exercise of the Agent's Option and 1,000,000 common shares pursuant to the stock option plan
- (3) Excludes common shares issuable on exercise of the Overallotment Option. In the event the Overallotment Option is exercised in full, there will be 10,900,000 common shares, 690,000 Agent's Options and 1,090,000 Stock Options outstanding

## OPTIONS TO PURCHASE SECURITIES

### Agent's Option

Pursuant to the Agency Agreement, the Corporation has agreed to grant to the Agent the Agent's Option on completion of the Offering to purchase an aggregate of between 400,000 common shares assuming completion of a Minimum Offering and 600,000 common shares (or 690,000 Agent's Options if the Overallotment Option is exercised in full) assuming completion of a Maximum Offering, of the Corporation, at a price of \$0.10 per share, for a period of 24 months from the Listing Date. See "Plan of Distribution".

### Stock Options

The Corporation has adopted the Incentive Stock Option Plan and intends to enter into stock option agreements granting the Stock Options in accordance with the policies of the Exchange concurrently with the Closing, according to the following terms:

Name	Number of common shares underlying Stock Options to be granted After Giving Effect to the Offering <sup>(2)</sup>		Exercise or Base Price (\$/Security)	% of total Stock Options to be granted (Min/Max) (excludes Agent's Options)	Market Value of common shares underlying Stock Options on the date of grant (\$/Security) <sup>(1)</sup>	Expiry Date
	Minimum Offering	Maximum Offering				
Gairat Gary Bay	68,400	85,500	\$0.10	8.55% / 8.55%	N/A	5 years from date of grant
Enrico Visentini	80,000	100,000	\$0.10	10% / 10%	N/A	5 years from date of grant

Name	Number of common shares underlying Stock Options to be granted After Giving Effect to the Offering <sup>(2)</sup>		Exercise or Base Price (\$/Security)	% of total Stock Options to be granted (Min/Max) (excludes Agent's Options)	Market Value of common shares underlying Stock Options on the date of grant (\$/Security) <sup>(1)</sup>	Expiry Date
	Minimum Offering	Maximum Offering				
Dr. Pavel Maslovskiy	246,240	307,800	\$0.10	30.78% / 30.78%	N/A	5 years from date of grant
Peter Hambro	246,240	307,800	\$0.10	30.78% / 30.78%	N/A	5 years from date of grant
Alexey Maslovskiy	123,120	153,900	\$0.10	15.39% / 15.39%	N/A	5 years from date of grant
Dr. Nataliya Hearn	18,000	22,500	\$0.10	2.25% / 2.25%	N/A	5 years from date of grant
Dan Hrushewsky	18,000	22,500	\$0.10	2.25% / 2.25%	N/A	5 years from date of grant
<b>TOTAL</b>	<b>800,000</b>	<b>1,000,000<sup>(3)</sup></b>		<b>100% / 100%</b>		

**Notes:**

- (1) As the common shares were not listed on the Exchange at the date of the grant, the market value of the securities underlying the options on the date of grant is not available.
- (2) Stock Options to be granted concurrently with the Closing assuming completion of the Minimum Offering or Maximum Offering.
- (3) If the Overallotment Option is exercised in full, Incentive Stock Options to purchase up to 1,090,000 common shares will be granted assuming completion of the Maximum Offering.

There are no assurances that the Stock Options described above will be exercised in whole or in part.

The Corporation intends to grant Stock Options concurrently with the Closing to purchase, in aggregate, a maximum of 1,000,000 common shares, assuming completion of the Maximum Offering, or 800,000 common shares, assuming completion of the Minimum Offering, at \$0.10 per common share to the directors and officers of the Corporation. The Stock Options are qualified for distribution pursuant to this prospectus. The Incentive Stock Option Plan provides that the Board of Directors of the Corporation may from time to time, in its discretion, and in accordance with Exchange requirements, grant to directors, officers and technical consultants to the Corporation, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Corporation's issued and outstanding common shares, exercisable for a period of up to a maximum of ten years from the date of grant, provided that, until the completion of the Qualifying Transaction, the number of common shares reserved for issuance shall not exceed a maximum of 800,000 common shares assuming completion of the Minimum Offering, or 1,000,000 common shares (or 1,090,000 common shares if the Overallotment Option is exercised in full) assuming completion of the Maximum Offering. The number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Options may be exercised the greater of 12 months after the completion of the Qualifying Transaction and 90 days following cessation of the Optionee's position with the Resulting Issuer, provided that if the 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, subject to the expiry date of such option. Any common shares acquired pursuant to the exercise of options prior to the Completion of the Qualifying Transaction (including the options in the above table) will be subject to escrow restrictions until the issuance of the Final Exchange Bulletin. See "*Escrowed Securities*".

**PRIOR SALES**

Since the date of incorporation of the Corporation, 4,000,000 common shares have been issued as follows.

Date	Number of Common Shares	Issue Price Per Share	Aggregate Issue Price	Consideration Received
June 18, 2018	4,000,000	\$0.05	\$200,000	Cash
<b>TOTAL</b>	<b>4,000,000</b>		<b>\$200,000</b>	

All of the 4,000,000 Seed Shares issued and outstanding are subject to escrow in accordance with the CPC Policy. See "*Escrowed Securities*".

## ESCROWED SECURITIES

All of the 4,000,000 common shares issued prior to this Offering, at a price below \$0.10 per common share, all common shares that may be acquired from treasury of the Corporation by Non-Arm's Length Parties of the Corporation either under the Offering or otherwise prior to Completion of the Qualifying Transaction and all common shares acquired by members of the Aggregate Pro Group prior to this Offering will be deposited with the Escrow Agent under the Seed Share Escrow Agreement.

All common shares acquired on exercise of the Stock Options prior to the Completion of a Qualifying Transaction must also be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued.

In addition, all common shares of the Corporation acquired in the secondary market prior to the Completion of a Qualifying Transaction by a Person who is or becomes a Control Person are required to be deposited in escrow. Subject to certain exemptions permitted by the Exchange, all securities of the Corporation held by Principals of the Resulting Issuer will also be escrowed. Notwithstanding the foregoing, common shares acquired by Principals of the Corporation or Principals of the Resulting Issuer pursuant to a private placement will not be subject to escrow provided that various conditions, as set forth in the CPC Policy, are met. See "*Escrowed Securities on Private Placement*".

The following table sets out, as at the date hereof, the number of common shares which are held in escrow.

Name and Municipality of Residence of Shareholder	Number of Common Shares Escrowed	Percentage of Common Shares of the Corporation Prior to Giving Effect to the Offering	Percentage of Common Shares of the Corporation After Giving Effect to the Offering <sup>(1)</sup>	
			Minimum Offering	Maximum Offering
Gairat Gary Bay Toronto, Ontario	380,000	9%	5%	3%
Dr. Pavel Maslovskiy Moscow, Russia	1,368,000	34%	17%	14%
Peter Hambro London, UK	1,368,000	34%	17%	14%
Alexey Maslovskiy Moscow, Russia	684,000	17%	9%	7%
Dr. Nataliya Hearn Toronto, Ontario	100,000	3%	1%	1%
Dan Hrushewsky Toronto, Ontario	100,000	3%	1%	1%
<b>TOTAL</b>	<b>4,000,000</b>	<b>100.00%</b>	<b>50%</b>	<b>40%</b>

**Note:**

(1) Assuming no Offered Shares or Overallotment Shares are purchased by these Persons under the Offering and assuming no exercise of the Agent's Option, Overallotment Option or Stock Options.

Where the common shares of the Corporation which are required to be held in escrow are held by a non-individual (a "**holding company**"), each holding company pursuant to the Seed Share Escrow Agreement, has agreed, or will agree, not to carry out any transactions during the currency of the Seed Share Escrow Agreement which would result in a change of control of the holding company, without the consent of the Exchange. Any holding company must sign an undertaking to the Exchange that, to the extent reasonably possible, it will not permit or authorize any issuance of securities or transfer of securities that could reasonably result in a change of control of the holding company. In addition, the Exchange may require an undertaking from any Control Person of the holding company not to transfer shares of that company.

Under the Seed Share Escrow Agreement, 10% of the escrowed Seed Shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "**Initial Release**") and an additional 15% will be released on the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.

If, upon the Completion of a Qualifying Transaction, the Corporation or the Resulting Issuer meets the Exchange's Tier 1 Minimum Listing Requirements either at the time the Final Exchange Bulletin is issued or subsequently, the release of the escrowed Seed Shares will be accelerated. An accelerated escrow release will not commence until the Resulting Issuer has made application to the Exchange for listing as a Tier 1 Issuer and the Exchange has issued a bulletin that announces the acceptance for listing of the Resulting Issuer on Tier 1 of the Exchange.

The Exchange's prior consent must be obtained before a transfer within escrow of escrowed Seed Shares. Generally, the Exchange will only permit a transfer within escrow to be made to incoming Principals in connection with a proposed Qualifying Transaction.

If a Final Exchange Bulletin is not issued, the escrowed Seed Shares will not be released. Under the Seed Share Escrow Agreement, each Non-Arm's Length Party to the Corporation who holds escrowed Seed Shares acquired at a price below the offering price under this prospectus has irrevocably authorized and directed the Escrow Agent to immediately:

- (a) cancel all of those escrowed Seed Shares upon the issuance by the Exchange of a bulletin delisting the common shares; or
- (b) if the Corporation lists on NEX, either:
  - (i) cancel all Seed Shares purchased by Non-Arm's Length Parties to the CPC at a discount from the IPO price, in accordance with section 11.2(a) of the CPC Policy, or
  - (ii) subject to majority shareholder approval, cancel the number of Seed Shares purchased by Non-Arm's Length Parties to the CPC so that the average cost of the remaining Seed Shares is at least equal to the IPO price.

### **Escrowed Securities on Qualifying Transaction**

Generally, if at least 75% of the securities issued pursuant to the Qualifying Transaction are "Value Securities", then all the securities issued to Principals of the Resulting Issuer pursuant to the Qualifying Transaction will be deposited into escrow pursuant to a value security escrow agreement (the "**Value Security Escrow Agreement**"). "Value Securities" are securities issued pursuant to a transaction for which the deemed value of the securities at least equals the value ascribed to the asset, using a valuation method acceptable to the Exchange, or securities that are otherwise determined by the Exchange to be Value Securities and required to be placed in escrow under a Value Security Escrow Agreement. However, if fewer than 75% of the securities issued pursuant to the Qualifying Transaction are Value Securities, all securities issued pursuant to the Qualifying Transaction will be deposited into a surplus security escrow agreement (a "**Surplus Security Escrow Agreement**").

The principal distinction between a Value Security Escrow Agreement and a Surplus Security Escrow Agreement is the time period for release of securities from escrow. In the case of a Resulting Issuer that will be a Tier 2 Issuer when the Final Exchange Bulletin is issued, the Value Security Escrow Agreement provides for a three year escrow release mechanism with 10% of the escrowed securities being releasable at the time of the Final Exchange Bulletin, and 15% of the escrowed securities being releasable every 6 months thereafter, on each of the 6, 12, 18, 24, 30 and 36 month anniversaries of the Final Exchange Bulletin. In the case of a Resulting Issuer that will be a Tier 2 Issuer, when the Final Exchange Bulletin is issued, the Surplus Security Escrow Agreement provides for a 3-year escrow release mechanism with 5% of the escrowed securities releasable at the time of the Final Exchange Bulletin, 5% on the date which is 6 months after the Final Exchange Bulletin, 10% on each of the dates which are 12 and 18 months after the Final Exchange Bulletin, 15% on each of the dates which are 24 and 30 months after the Final Exchange Bulletin and 40% on the date which is 36 months after the Final Exchange Bulletin.

In the case of a Resulting Issuer that will be a Tier 1 issuer when the Final Exchange Bulletin is issued, the Value Security Escrow Agreement provides for an 18 month escrow release mechanism with 25% of the escrowed securities being releasable at the time of the Final Exchange Bulletin and 25% of the escrowed securities being releasable every 6 months thereafter. In the case of a Resulting Issuer that will be a Tier 1 issuer when the Final Exchange Bulletin is issued, the Surplus Security Escrow Agreement provides for an 18-month escrow release mechanism with 10% of the escrowed securities being releasable upon the issuance of the Final Exchange Bulletin, 20% on the date which is 6 months after the Final Exchange Bulletin, 30% on the date which is 12 months after the Final Exchange Bulletin and 40% on the date which is 18 months after the Final Exchange Bulletin.

### **Escrowed Securities on Private Placement**

Securities issued pursuant to a private placement to Principals of the Corporation and the proposed Resulting Issuer will generally be exempt from escrow requirements where:

- (a) the private placement is announced at least five trading days after the news release announcing the Agreement in Principle and the pricing for the financing is at not less than the discounted market price, as determined in accordance with the policies of the Exchange; or
- (b) the private placement is announced concurrently with the Agreement in Principle and:
- (i) at least 75% of the proceeds from the private placement are not from Principals of the Corporation or the proposed Resulting Issuer,
  - (ii) if subscribers, other than Principals of the Corporation or the proposed Resulting Issuer, will obtain securities subject to hold periods, then in addition to any resale restrictions under applicable securities legislation, any securities issued to such Principals will be subject to a four month hold period; and
  - (iii) none of the proceeds of the private placement are allocated to pay compensation or to settle indebtedness owing to Principals of the Resulting Issuer.

### PRINCIPAL SHAREHOLDERS

The following table lists those persons who own 10% or more of the issued and outstanding common shares as at the date hereof:

Name and Municipality of Residence of Shareholder	Type of Ownership	Number of Common Shares	Percentage of Common Shares Owned Prior to Giving Effect to the Offering	Percentage of Common Shares Owned After Giving Effect to the Offering <sup>(1)(2)</sup>	
				Minimum Offering	Maximum Offering
Gairat Gary Bay Toronto, ON	Direct	380,000	10%	5%	4%
Dr. Pavel Maslovskiy Moscow, Russia	Direct	1,368,000	34%	17%	14%
Peter Hambro London, UK	Direct	1,368,000	34%	17%	14%
Alexey Maslovskiy Moscow, Russia	Direct	684,000	17%	9%	7%
<b>TOTAL</b>		<b>3,800,000</b>	<b>95%</b>	<b>48%</b>	<b>39%</b>

**Notes:**

- (1) Assuming that no Offered Shares or Overallotment Shares are purchased by this Person under the Offering and assuming no exercise of the Stock Options or Agent's Options.
- (2) On a fully diluted basis, assuming that no Offered Shares or Overallotment Shares are purchased by this Person under the Offering, but assuming the exercise of all of the Agent's Options and the exercise of the Stock Options to be granted to the directors and officers of the Corporation and assuming that the Overallotment Option is not exercised, Gairat Gary Bay would own 4.13% (448,400 common shares) in the event of a Minimum Offering and 3.28% (465,500 common shares) in the event of a Maximum Offering, Dr. Pavel Maslovskiy would own 14.87% (1,614,240 common shares) in the event of a Minimum Offering and 11.79% (1,675,800 common shares) in the event of a Maximum Offering, Peter Hambro would own 14.87% (1,614,240 common shares) in the event of a Minimum Offering and 11.79% (1,675,800 common shares) in the event of a Maximum Offering, Alexey Maslovskiy would own 7.43% (807,120 common shares) in the event of a Minimum Offering and 5.90% (837,900 common shares) in the event of a Maximum Offering. Messrs. Bay, Dr. Maslovskiy, Hambro and Maslovskiy would collectively own approximately 48% (1,880,000 common shares) in the event of a Minimum Offering and 40% (1,880,000 common shares) in the event of a Maximum Offering of the issued and outstanding common shares after giving effect to the Offering.

### DIRECTORS, OFFICERS AND PROMOTER

The following is a list of the current directors, officers and the Promoter of the Corporation, their municipalities of residence, their current positions with the Corporation and their principal occupations during the past five years:

**Gairat Gary Bay, Toronto, Ontario** – *President, Chief Executive Officer, Promoter and Director (Age: 41)*

Mr. Bay is the President, Chief Executive Officer, Promoter and a director of the Corporation. Mr. Bay is also the legal and beneficial owner of 380,000 common shares of the Corporation amounting to 9.5% of the Corporation's total issued and outstanding share capital as at the date of this prospectus and prior to giving effect to the Offering. Mr. Bay will be granted

an option to purchase up to 68,400 common shares assuming completion of a Minimum Offering, and up to 85,500 common shares assuming completion of a Maximum Offering and no exercise of the Overallotment Option, concurrently with the Closing and upon completion of the Offering. See "*Options to Purchase Securities*".

Mr. Bay has acquired considerable international experience and enjoyed entrepreneurial success with precious metals and hydrocarbon resource projects, in connection with which he has been a financier, commodity trader and corporate executive. He is currently and has been since July 2015, the co-Chief Executive Officer of WBD Gold Inc., a privately-owned, Guyana-based mineral exploration company focused on the exploration and development of gold deposits in Guyana. He is also currently and has been since May 2012, the founder and managing director of Sors Capital Inc., a private investment firm focused on investments in and the provision of advisory services to the natural resources sector. Mr. Bay is also now, and has been since February 2005, the founder and managing partner of Bay Capital Corporation, which has raised in excess of US\$10 million for junior resource companies through project financings and joint ventures. From June 2013 to September 2014, Mr. Bay was the founder and president of Maroil Corporation, a company engaged in the development of new upstream Volga Region oil and gas properties.

Mr. Bay will devote approximately 20% of his time to perform the work required in connection with the management of the Corporation and completion of the Qualifying Transaction.

**Enrico Visentini, Toronto, Ontario – Chief Financial Officer and Corporate Secretary (Age: 49)**

Mr. Visentini is the Chief Financial Officer and Corporate Secretary of the Corporation. Mr. Visentini will be granted an option to purchase up to 80,000 common shares assuming completion of a Minimum Offering, and up to 100,000 common shares assuming completion of a Maximum Offering and no exercise of the Overallotment Option, concurrently with the Closing and upon completion of the Offering. See "*Options to Purchase Securities*".

Mr. Visentini has significant experience in securities and accounting matters with respect to publically traded mining and software companies, both as a consultant and academic leader. Mr. Visentini is currently the President of Fiducia Management Inc., through which he has held several senior financial positions in publicly traded companies, including Starfield Resources Inc., Fletcher Nickel Inc, and Quantitative Alpha Trading Inc. Fiducia Management Inc. provides consulting services to multiple publically listed companies in mining and software at an executive management level, including equity financings in excess of \$50 million and initial listings on the TMX and TSX-V exchanges. Mr. Visentini has taught economics, administration and accounting courses as a Part Time Professor at George Brown College since January 2017. Mr. Visentini taught securities analysis, real estate investing and accounting theory courses at McMaster University as a Sessional Instructor from January 2014 to April 2017.

Mr. Visentini will devote approximately 15% of his time to perform the work required in connection with the management of the Corporation and completion of the Qualifying Transaction.

**Dr. Pavel Maslovskiy, Moscow, Russia – Director (Age: 61)**

Dr. Maslovskiy is a director of the Corporation. Dr. Maslovskiy is also the legal and beneficial owner of 1,368,000 common shares of the Corporation amounting to 34% of the Corporation's total issued and outstanding share capital as at the date of this prospectus and prior to giving effect to the Offering. Dr. Maslovskiy will be granted an option to purchase up to 246,240 common shares assuming completion of a Minimum Offering, and up to 307,800 common shares assuming completion of a Maximum Offering and no exercise of the Overallotment Option, concurrently with the Closing and upon completion of the Offering. See "*Options to Purchase Securities*".

Dr. Maslovskiy has extensive experience in the operational management of mining and processing operations in precious and non-precious metals. Dr. Maslovskiy is the Co-Founder of Petropavlovsk plc, a London-based gold mining company with operations in Russia and held directorships within the company, including as its Chief Executive Officer from Petropavlovsk's inception in 1994 until December 2014, when he relinquished all remunerated positions following his appointment as a Senator-Member of the Federation Council (Upper House of the Russian Parliament). Dr Maslovskiy retired as a Senator-Member in October 2014 and was re-appointed as Chief Executive Officer at Petropavlovsk, effective from November 2014 to July 2017. Dr. Maslovskiy acted as Honorary President from 2012 to November 2014.

Dr. Maslovskiy will devote approximately 5% of his time to perform the work required in connection with the management of the Corporation and completion of the Qualifying Transaction.

**Peter Hambro, London, United Kingdom** – Director (Age: 73)

Mr. Hambro is a director of the Corporation. Mr. Hambro is also the legal and beneficial owner of 1,368,000 common shares of the Corporation amounting to 34% of the Corporation's total issued and outstanding share capital as at the date of this prospectus and prior to giving effect to the Offering. Mr. Hambro will be granted an option to purchase up to 246,240 common shares assuming completion of a Minimum Offering, and up to 307,800 common shares assuming completion of a Maximum Offering and no exercise of the Overallotment Option, concurrently with the Closing and upon completion of the Offering. See "Options to Purchase Securities".

Mr. Hambro has more than 25 years of experience in the operational and financial management of mining and processing operations in precious and non-precious metals. Mr. Hambro is the Co-Founder of Petropavlovsk plc, a London-based gold mining company with operations in Russia, serving as its Chairman from 1994 until June 2017. Mr. Hambro was appointed President of Petropavlovsk plc with effect from 29<sup>th</sup> June 2018 and also as Senior adviser to the Board. Mr. Hambro also serves as a director of IRC Ltd. a company that mines and produces iron ore concentrate in Russia.

Mr. Hambro will devote approximately 5% of his time to perform the work required in connection with the management of the Corporation and completion of the Qualifying Transaction.

**Alexey Maslovskiy, London, United Kingdom** - Director (Age: 39)

Mr. Maslovskiy is a director of the Corporation. Mr. Maslovskiy is also the legal and beneficial owner of 684,000 common shares of the Corporation amounting to 17.1% of the Corporation's total issued and outstanding share capital as at the date of this prospectus and prior to giving effect to the Offering. Mr. Maslovskiy will be granted an option to purchase up to 123,120 common shares assuming completion of a Minimum Offering, and up to 153,900 common shares assuming completion of a Maximum Offering and no exercise of the Overallotment Option, concurrently with the Closing and upon completion of the Offering. See "Options to Purchase Securities".

Mr. Maslovskiy is a seasoned strategic director with a successful background in the delivery of a series of gold exploration programs in South America and the Far East of the Russian Federation. Mr. Maslovskiy has served as an Executive Director and Group Head of Business Development for Petropavlovsk plc, a London-based gold mining company with operations in Russia, since December 2009. Mr. Maslovskiy formerly served as Group Treasurer and Board Director for Petropavlovsk from October 2003 to December 2009.

Mr. Maslovskiy will devote approximately 10% of his time to perform the work required in connection with the management of the Corporation and completion of the Qualifying Transaction.

**Dr. Nataliya Hearn, Toronto, Canada** – Director (Age: 51)

Dr. Hearn is a director of the Corporation. Dr. Hearn is also the legal and beneficial owner of 100,000 common shares of the Corporation amounting to 2.5% of the Corporation's total issued and outstanding share capital as at the date of this prospectus and prior to giving effect to the Offering. Dr. Hearn will be granted an option to purchase up to 18,000 common shares assuming completion of a Minimum Offering, and up to 22,500 common shares assuming completion of a Maximum Offering and no exercise of the Overallotment Option, concurrently with the Closing and upon completion of the Offering. See "Options to Purchase Securities".

Dr. Hearn has obtained significant managerial experience and entrepreneurship in both public and private companies operating in precious and non-precious metals industries since 1999. Dr. Hearn has been the President of Link-Tech Inc., a company that supplies the necessary material for remote rehabilitation of underground pipes, since April 2015. Dr. Hearn has been the Chief Executive Officer and President of Rare Earth Refining Inc., a company focused on processing of rare earths from tailings from mining operations, since September 2011. Dr. Hearn was a director at Alcerco Inc., a company that provides expertise in metallurgical consulting, training, materials and standards testing services, aluminum casting and contracted product development services from January 2013 to September 2014.

Dr. Hearn will devote approximately 10% of her time necessary to perform the work required in connection with the management of the Corporation and completion of the Qualifying Transaction.

**Dan Hrushewsky, Toronto, Canada**– Director (Age: 57)

Mr. Hrushewsky is a director of the Corporation. Mr. Hrushewsky is also the legal and beneficial owner of 100,000 common shares of the Corporation amounting to 2.5% of the Corporation's total issued and outstanding share capital as at the date of this prospectus and prior to giving effect to the Offering. Mr. Hrushewsky will be granted an option to purchase up to 18,000 common shares assuming completion of a Minimum Offering, and up to 22,500 common shares assuming completion of a Maximum Offering and no exercise of the Overallotment Option, concurrently with the Closing and upon completion of the Offering. See "*Options to Purchase Securities*".

Mr. Hrushewsky provides both managerial and practical experience in mining project equity and debt finance, mining project evaluation and acquisition, and mine development studies with finance and mining companies. Mr. Hrushewsky has been the Executive Vice President of Bunker Hill Mining Corp., a mining company with facilities in Kellogg and Wardner, Idaho, since August 2017. Mr. Hrushewsky was a Senior Gold Equity Mining Analyst at Jennings Capital Inc./Northland Capital Partners from June 2011 to December 2013. From December 2013 to July 2017, Mr. Hrushewsky was a self-employed consultant working with the following mining-related businesses: Bunker Hill Mining Corp., Oxygen Capital Corporation, Aureus Mining Inc., Petropavlovsk plc, Teranga Gold Corporation, and Whittle Consulting.

Mr. Hrushewsky will devote approximately 20% of his time to perform the work required in connection with the management of the Corporation and completion of the Qualifying Transaction.

In addition to any other requirements of the Exchange, the Exchange expects management of the Corporation to meet a high management standard. The directors and officers of the Corporation believe that, on a collective basis, management possesses the appropriate experience, qualifications and history to be capable of identifying, investigating and acquiring a Significant Asset.

Each of the directors currently has employment outside of the Corporation, but has agreed to devote as much of their time to the business and affairs of the Corporation as necessary to complete the Corporation's Qualifying Transaction, and to continue to oversee the operations of the Corporation. In addition to any other requirements of the Exchange, the Exchange expects management of the Corporation to meet a high management standard. The directors and officers of the Corporation, on a collective basis, possess the appropriate experience, qualifications and history to be capable of identifying, investigating and acquiring a Significant Asset.

**Other Reporting Issuer Experience**

The following table sets out the directors, officers and promoters of the Corporation that are, or have been within the last five years, directors, officers or promoters of other issuers that are or were reporting issuers in any Canadian jurisdiction:

<b>Name of Director Officer or Promoter</b>	<b>Name of Reporting Issuer</b>	<b>Name of Exchange or Market</b>	<b>Position</b>	<b>Term</b>
Dan Hrushewsky	Bunker Hill Mining Corp.	Canadian Securities Exchange	Executive Vice- President	August 2017 to Present

In addition to the above, the board of directors as a whole has significant public company mining experience that pre-dates the five-year period in the table above or with companies listed on foreign exchanges. Prior to his work with Bunker Hill, Mr. Hrushewsky covered public mining companies in his role as an equity analyst with Jennings Capital Inc./Northland Capital Partners, and has been a consultant to Aureaus Mining Inc. (TSX, London Stock Exchange), Petropavlovsk plc (London Stock Exchange), Teranga Gold Corporation (TSX). Mr. Visentini has held senior financial positions with Starfield Resources Inc. (TSX), Fletcher Nickel Inc.(TSX) and Quantitative Alpha Trading (Canadian Stock Exchange). Dr. Pavel Maslovskiy and Mr. Peter Hambro co-founded Petropavlovsk plc (London Stock Exchange), and served on the board of directors of that company from its inception until mid-2017.

**Committees**

The Corporation currently has one committee, the Audit Committee, which consists of three directors:

- Dan Hrushewsky;

- Dr. Nataliya Hearn; and
- Aleks Maslovskiy

The members of the Audit Committee are financially literate and independent for purpose of National Instrument 52-110. It is anticipated that two additional committees will be struck in the future: compensation committee and the corporate governance committee.

### **Corporate Cease Trade Orders or Bankruptcies**

No director, officer, Insider or Promoter or a shareholder of the Corporation holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation is, or within ten years before the date of the prospectus, has been, a director, officer, Insider or Promoter of any other Issuer that, while that person was acting in that capacity, (a) was the subject of a cease trade or similar order, or an order that denied such Issuer access to any statutory exemptions for a period of more than 30 consecutive days; or (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

### **Penalties or Sanctions**

No director, officer, Insider or Promoter of the Corporation, or a shareholder of the Corporation holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that would likely be considered important to a reasonable investor in making an investment decision.

### **Personal Bankruptcies**

No director, officer, Insider or Promoter of the Corporation, or a shareholder of the Corporation holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, or a personal holding company of any such persons has, within the 10 years before the date of this prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or has been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such person's assets.

### **Conflicts of Interest**

There are potential conflicts of interest to which the directors, officers, Insiders and Promoters of the Corporation will be subject in connection with the operations of the Corporation. All of the directors, officers, Insiders and Promoters are engaged in and will continue to be engaged in corporations or businesses which may be in competition with the search by the Corporation for businesses or assets in order to close a Qualifying Transaction. Accordingly, situations may arise where some or all of the directors, officers, Insiders and Promoters will be in direct competition with the Corporation. Conflicts, if any, will be subject to the procedures and remedies as provided under the *Canada Business Corporations Act*.

### **Executive Compensation**

Except as set out below or otherwise disclosed in this prospectus, prior to Completion of a Qualifying Transaction, no payment of any kind has been made, or will be made, directly or indirectly, by the Corporation to a Non-Arm's Length Party to the Corporation or a Non-Arm's Length Party to the Qualifying Transaction, or to any person engaged in investor relations activities in respect of the securities of the Corporation or any Resulting Issuer by any means, including:

- (a) remuneration, which includes but is not limited to:
  - (i) salaries;
  - (ii) consulting fees;
  - (iii) management contract fees or directors' fees;

- (iv) finder's fees;
  - (v) loans, advances, bonuses; and
- (b) deposits and similar payments.

However, the Corporation may reimburse Non-Arm's Length Parties for the Corporation's reasonable allocation of rent, secretarial services and other general administrative expenses, at fair market value ("**Permitted Reimbursement**"). There have been no such reimbursements since incorporation. No reimbursement may be made for any payment made to lease or buy a vehicle.

The directors and officers of the Corporation will also be granted Stock Options as more particularly described in "*Options to Purchase Securities*".

Following Completion of the Qualifying Transaction, it is anticipated that the Corporation shall pay compensation to its directors and officers. However, no payment other than the Permitted Reimbursements will be made by the Corporation or by any party on behalf of the Corporation, after Completion of the Qualifying Transaction, if the payment relates to services rendered or obligations incurred or in connection with the Qualifying Transaction.

### PROMOTERS

Gairat Gary Bay is considered to be the Promoter of the Corporation in that he took the initiative in founding and organizing the Corporation. See "*Prior Sales*", "*Directors, Officers and Promoters*", "*Principal Shareholders*" and "*Options to Purchase Securities - Stock Options*".

### DILUTION

Purchasers of Offered Shares under this prospectus will suffer an immediate dilution of approximately 25% or \$0.025 per Offered Share in the event of a Minimum Offering, and 20% or \$0.020 per Offered Share (or 18% or \$0.018 per Offered Share if the Overallotment Option is exercised in full) in the event of a Maximum Offering on the basis of there being 8,000,000 common shares of the Corporation issued and outstanding following completion of a Minimum Offering and 10,000,000 common shares (or 10,900,000 common shares if the Overallotment Option is exercised in full) of the Corporation issued and outstanding following completion of a Maximum Offering. Dilution has been computed on the basis of total gross proceeds to be raised by this prospectus and from sales of securities prior to the filing of this prospectus, without deduction of commissions or related expenses incurred or to be incurred in connection with the Offering by the Corporation.

Item	Minimum Offering	Maximum Offering	Maximum Offering and Full Exercise of Overallotment Option
Gross proceeds of prior share issues	\$200,000	\$200,000	\$200,000
Gross proceeds of this Offering	\$400,000	\$600,000	\$690,000
<b>Total gross proceeds after this Offering</b>	<b>\$600,000</b>	<b>\$800,000</b>	<b>\$890,000</b>
Offering price per Offering Share	\$0.10	\$0.10	\$0.10
Proceeds per Offering Share after this Offering	\$0.075	\$0.080	\$0.082
Dilution per Offering Share to subscriber	\$0.025	\$0.020	\$0.18
Percentage of dilution in relation to Offering price	25%	20%	18%

### RISK FACTORS

A purchase of Offered Shares of the Corporation and the purchaser's investment will be highly speculative due to the substantial risk of the Corporation's business and its present stage of development. The following are risk factors associated with the Corporation, which list is not exhaustive:

- (a) the Corporation was only recently incorporated, has not commenced commercial operations and has no assets other than cash. It has no history of earnings, and shall not generate earnings or pay dividends until at least after Completion of the Qualifying Transaction. See "*Business of the Corporation - Proposed Operations until Completion of a Qualifying Transaction*";
- (b) the directors and officers of the Corporation will devote only a portion of their time to the business and affairs of the Corporation and some of them are or will be engaged in other projects or businesses such that conflicts of interest may arise from time to time. See "*Directors, Officer and Promoter - Conflicts of Interests*";
- (c) assuming completion of the Offering, an investor will suffer an immediate dilution to its investment of approximately 25% or \$0.025 per Offered Share in the event of a Minimum Offering and 20% or \$0.020 per Offered Share (or 18% or \$0.018 per Offered Share if the Overallotment Option is exercised in full) in the event of a Maximum Offering, calculated as set forth under "*Dilution*" above;
- (d) the Corporation is relying solely on the past business success of its directors and officers to identify a Qualifying Transaction of merit. The success of the Corporation is dependent upon the efforts and abilities of its management team. The loss of any member of the management team could have a material adverse effect upon the business and prospects of the Corporation. In such event, the Corporation will seek satisfactory replacements but there can be no guarantee that appropriate personnel may be found;
- (e) investment in the Offered Shares is highly speculative given the proposed nature of the Corporation's business and its present stage of development;
- (f) there can be no assurance that an active and liquid market for the Corporation's common shares will develop and an investor may find it difficult to resell its Offered Shares;
- (g) until Completion of a Qualifying Transaction, the Corporation is not permitted to carry on any business other than the identification and evaluation of potential Qualifying Transactions. See "*Business of the Corporation - Proposed Operations until Completion of a Qualifying Transaction*";
- (h) the Corporation has only limited funds with which to identify and evaluate potential Qualifying Transactions and there can be no assurance that the Corporation will be able to identify a suitable Qualifying Transaction;
- (i) even if a proposed Qualifying Transaction is identified, there can be no assurance that the Corporation will be able to successfully complete the transaction;
- (j) completion of a Qualifying Transaction is subject to a number of conditions including acceptance by the Exchange and, in the case of a Non-Arm's Length Qualifying Transaction, Majority of the Minority Approval. See "*Business of the Corporation - Filings and Shareholder Approval of a Non-Arm's Length Qualifying Transaction*";
- (k) unless the shareholder has the right to dissent and be paid fair value in accordance with applicable corporate or other law, a shareholder who votes against a proposed Non-Arm's Length Qualifying Transaction for which Majority of the Minority Approval by shareholders has been given, will have no rights of dissent and no entitlement to payment by the Corporation of fair value for the common shares;
- (l) upon public announcement of a proposed Qualifying Transaction, trading in the common shares of the Corporation will be halted and will remain halted for an indefinite period of time, typically until a Sponsor has been retained and certain preliminary reviews have been conducted. The common shares of the Corporation will be reinstated to trading before the Exchange has reviewed the transaction and before the Sponsor has completed its full review. Reinstatement to trading provides no assurance with respect to the merits of the transaction or the likelihood of the Corporation completing the proposed Qualifying Transaction. See "*Business of the Corporation - Trading, Halts, Suspensions and Delisting*";

- (m) trading in the common shares of the Corporation may be halted at other times for other reasons, including for failure by the Corporation to submit documents to the Exchange in the time periods required. See "*Business of the Corporation - Trading, Halts, Suspensions and Delisting*";
- (n) the Exchange will generally suspend trading in the Corporation's common shares or delist the Corporation in the event that the Exchange has not issued a Final Exchange Bulletin within 24 months from the date of listing. See "*Business of the Corporation - Trading, Halts, Suspensions and Delisting*";
- (o) neither the Exchange nor any securities regulatory authority passes upon the merits of the proposed Qualifying Transaction;
- (p) in the event that management of the Corporation resides outside of Canada or the Corporation identifies a foreign business as a proposed Qualifying Transaction, investors may find it difficult or impossible to effect service of notice to commence legal proceedings upon any management resident outside of Canada or upon the foreign business and may find it difficult or impossible to enforce against such persons, judgments obtained in Canadian courts;
- (q) the Qualifying Transaction may be financed in all or part by the issuance of additional securities by the Corporation and this may result in further dilution to the investor, which dilution may be significant and which may also result in a change of control of the Corporation. See "*Business of the Corporation - Method of Financing*";
- (r) subject to prior acceptance by the Exchange, the Corporation may be permitted to loan or advance up to an aggregate of \$225,000 of its proceeds to a target business without requiring shareholder approval and there can be no assurance that the Corporation will be able to recover that loan. See "*Use of Proceeds - Permitted Use of Funds*";
- (s) a maximum of \$25,000 in aggregate may also be advanced as a non-refundable deposit, unsecured deposit or advance to a target business, to preserve assets without prior Exchange acceptance and there is a risk that the Company may lose said sum if the Qualifying Transaction does not complete; and
- (t) if the Offered Shares are not listed and posted for trading on the Exchange at or prior to the time of the Closing of the Offering, the Offered Shares will not be a "qualified investment" for a trust governed by an Investment Plan (as such term is defined under the heading "Eligibility for Investment") and adverse tax consequences will arise for an Investment Plan that acquires Offered Shares and for the holder or annuitant, as the case may be, of such Investment Plan. Notwithstanding that an Offered Share may be a qualified investment, if the Offered Shares are a "prohibited investment" (as such term is defined under the heading "Eligibility for Investment") for a trust governed by a TFSA, RRSP or RRIF, the holder or annuitant thereof will be subject to a penalty tax in respect of the Offered Shares.

As a result of these factors, this Offering is suitable only for investors who are willing to rely solely on management of the Corporation and who can afford to lose their entire investment. Those investors who are not prepared to do so should not invest in the Offered Shares.

### **LEGAL PROCEEDINGS**

The Corporation is not currently a party to any actual or pending legal proceedings, nor is the Corporation currently contemplating any legal proceedings, which are material to its business or of which any of its assets are likely to be subject. Management of the Corporation is currently not aware of any legal proceedings contemplated against the Corporation.

### **RELATIONSHIP BETWEEN THE CORPORATION AND THE AGENT**

Neither the Corporation nor any of its directors or officers is a "related" or "connected issuer" as such terms are defined in National Instrument 33-105, "*Underwriting Conflicts*" of the Agent.

## RELATIONSHIP BETWEEN THE CORPORATION AND PROFESSIONAL PERSONS

No beneficial interest, direct or indirect, in any securities or properties of the Corporation or of an associate or affiliate of the Corporation, is held by a professional person, a responsible solicitor or any partner of a responsible solicitor's firm.

No professional person, nor the responsible solicitor or any partner of the responsible solicitor's firm is, or is expected to be elected, appointed or employed as a director, senior officer or employee of the Corporation or of an associate or affiliate of the Corporation, or a promoter of the Corporation or of an associate or affiliate of the Corporation.

In this section, "professional person" means a person whose profession gives authority to a statement made by the person in the person's professional capacity and includes a barrister and solicitor, a public accountant, an appraiser, an auditor, an engineer and a geologist.

Certain legal matters relating to this Offering will be passed upon by WeirFoulds LLP on behalf of the Corporation, and by Garfinkle Biderman LLP on behalf of the Agent.

## AUDITOR, TRANSFER AGENT AND REGISTRAR

### Auditor

The auditor of the Corporation is RSM Canada LLP, 11 King Street West, Suite 700, Toronto, Ontario, M5H 4C7.

### Transfer Agent and Registrar

The registrar and transfer agent of the common shares of the Corporation is TSX Trust Company, 100 Adelaide Street West, Suite 301, Toronto, Ontario, M5H 4H1.

## INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There are no material interests, direct or indirect, of directors, officers and any shareholder who beneficially own, directly or indirectly, more than 10% of the outstanding common shares or any known Associates or Affiliates of such Persons, in any transaction since incorporation of the Corporation, or in any proposed transaction which has materially affected or would materially affect the Corporation.

## MATERIAL CONTRACTS

The Corporation has not entered into any contracts material to investors in the common shares hereunder, other than the following:

- (a) Registrar and Transfer Agent Agreement dated as of November 28, 2018 between the Corporation and TMX Trust Company. See "*Auditor, Transfer Agent and Registrar*".
- (b) Agency Agreement dated as of ●, 2018 between the Corporation and the Agent. See "*Plan of Distribution*".
- (c) Seed Share Escrow Agreement dated as of ●, 2018 between the Corporation, the Escrow Agent and those shareholders that executed such agreement. See "*Escrowed Securities*".
- (d) Incentive Stock Option Plan dated as of November 28, 2018. See "*Options to Purchase Securities*".

Copies of these agreements will be available for inspection at the registered office of the Corporation, located at Suite 4100-66 Wellington Street West, P.O. Box 35, TD Bank Tower, Toronto, Ontario M5K 1B7 during ordinary business hours while the Offered Shares offered by this prospectus are in the course of distribution and for a period of 30 days thereafter.

## OTHER MATERIAL FACTS

To the Corporation's knowledge, there are no other material facts about the Offered Shares being distributed that are not otherwise disclosed in this prospectus, or are necessary in order for the prospectus to contain full, true and plain disclosure of all material facts relating to the Offered Shares being distributed.

## PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in the Offering Jurisdictions provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. The securities legislation further provides a purchaser with remedies for rescission or damages if the prospectus or any amendment thereto contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

## DEPOSITORY SERVICES

Except in certain limited circumstances: (i) the Offered Shares will be issued and deposited in electronic form with CDS or its nominee pursuant to the book-based system administered by CDS; (ii) certificates evidencing the Offered Shares will not be issued to purchasers; and (iii) purchasers will receive only a customer confirmation from the Agent or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Offered Shares are purchased.

The ability of a beneficial owner of Offered Shares to pledge such shares or otherwise take action with respect to such owner's interest in such shares (other than through a CDS participant) may be limited due to the lack of a physical certificate.

Neither the Corporation nor the Agent will assume any liability for: (i) any aspect of the records relating to the beneficial ownership of the Offered Shares held by CDS or the payments relating thereto; (ii) maintaining, supervising or reviewing any records relating to the Offered Shares; or (iii) any advice or representation made by or with respect to CDS and those contained in this prospectus and relating to the rules governing CDS or any action to be taken by CDS or at the direction of its CDS participants. The rules governing CDS provide that it acts as the agent and depository for the CDS participants. As a result, CDS participants must look solely to CDS and persons, other than CDS participants, having an interest in the Offered Shares must look solely to CDS participants for payments made by or on behalf of the Corporation to CDS in respect of the Offered Shares.

## ELIGIBILITY FOR INVESTMENT

In the opinion of WeirFoulds LLP, counsel for the Corporation, based on the current provisions of the *Income Tax Act* (Canada) (the "**Tax Act**"), provided that the Offered Shares are listed on a "designated stock exchange" for purposes of the Tax Act (which currently includes the Exchange), if issued on the date hereof the Offered Shares would be "qualified investments" under the Tax Act for a trust governed by a registered retirement savings plan ("**RRSP**"), a registered retirement income fund ("**RRIF**"), a registered education savings plan ("**RESP**"), a registered disability savings plan ("**RDSP**"), a tax-free savings account ("**TFSA**") or a deferred profit sharing plan, all as defined in the Tax Act (collectively, "**Registered Plans**").

If the Offered Shares are not listed on the Exchange on the closing of the Offering but become listed on the Exchange prior to the date on which the Corporation must file a tax return under the Tax Act for its first taxation year, the Corporation may make an election in such income tax return to be deemed to have been a "public corporation" for purposes of the Tax Act from the beginning of its first taxation year until the time when the Offered Shares are listed on the Exchange. If this occurs, the Offered Shares will be qualified investments for Registered Plans at the closing of the Offering notwithstanding that the Offered Shares were not listed on the Exchange at the closing of the Offering.

Notwithstanding that the Offered Shares may be a qualified investment for a trust governed by an RRSP, RRIF, TFSA, RDSP or RESP, if the Offered Shares are a "prohibited investment" (as that term is defined in the Tax Act) for an RRSP, RRIF, TFSA, RDSP or RESP, the annuitant of the RRSP or the RRIF, the holder of the TFSA or the RDSP, or the subscriber of the RESP, as the case may be, (each a "**Plan Holder**") will be subject to a penalty tax as set out in the Tax Act. The Offered Shares will be a "prohibited investment" for an RRSP, RRIF, TFSA, RDSP or RESP of a Plan Holder who has a "significant interest" (as defined in the Tax Act) in the Corporation or who does not deal at arm's length, within the meaning of the Tax Act, with the Corporation. In general terms, a Plan Holder will have a significant interest in the Corporation if the Plan Holder, and other persons who do not deal at arm's length with the Plan Holder together, directly or indirectly, own more than 10% of the outstanding shares of any class of shares of the Corporation, or any corporation related to the Corporation. Prospective purchasers who intend to hold Offered Shares in an RRSP, RRIF, TFSA, RDSP or RESP should consult their own tax advisors regarding their particular circumstances.

## **FINANCIAL STATEMENTS**

Financial Statements of the Corporation, audited for the period from inception on June 18, 2018 to October 31, 2018.

**XAU Resources Inc.  
(A Capital Pool Company)**

**Financial Statements  
(Expressed in Canadian Dollars)**

**For the Period From  
Date of Incorporation (June 18, 2018) to October 31, 2018**



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of XAU Resources Inc.  
(A Capital Pool Corporation)

We have audited the accompanying financial statements of XAU Resources Inc. (A Capital Pool Company), which comprise the statement of financial position as at October 31, 2018, the statements of comprehensive loss, changes in shareholders' equity and cash flows for the period from the date of incorporation (June 18, 2018) to October 31, 2018 and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of XAU Resources Inc. as at October 31, 2018, and its financial performance and its cash flows for the period from the date of incorporation (June 18, 2018) to October 31, 2018 in accordance with International Financial Reporting Standards.

RSM Canada LLP

Chartered Professional Accountants  
Licensed Public Accountants  
November 28, 2018  
Toronto, Ontario

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**XAU RESOURCES INC.**  
**(A Capital Pool Company)**  
STATEMENT OF FINANCIAL POSITION  
(Expressed in Canadian Dollars)  
As at October 31, 2018

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**Assets**

Current Assets		
Cash (Note 8)	\$	170,886
Receivables (Note 3)		650
Total Current Assets		171,536

Deferred financing costs (Note 4)		18,150
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<b>Total Assets</b>	<b>\$</b>	<b>189,686</b>
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**Liabilities and Shareholders' Equity**

Current Liabilities		
Accounts payable and accrued liabilities	\$	19,066
Total Liabilities		19,066

Shareholders' Equity		
Share capital (Note 5)		200,000
Deficit		(29,380)
Total Shareholders' Equity		170,620

<b>Total Liabilities and Shareholders' Equity</b>	<b>\$</b>	<b>189,686</b>
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**Nature of operations (Note 1)**  
**Subsequent events (Note 10)**

**On Behalf of the Board:**

"Dan Hrushewsky" Director

"Gairat Gary Bay" Director

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

**XAU RESOURCES INC.**  
**(A Capital Pool Company)**  
STATEMENT OF COMPREHENSIVE LOSS  
(Expressed in Canadian Dollars)  
Period from Incorporation on June 18, 2018 to October 31, 2018

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	<b>2018</b>
<b>Expenses</b>	
Registration and filing	\$ 15,314
Professional fees	14,066
<b>Total expenses</b>	<b>(29,380)</b>
<b>Loss and comprehensive loss</b>	<b>\$ (29,380)</b>
<b>Loss per common share</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding</b>	<b>4,000,000</b>

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

**XAU RESOURCES INC.****(A Capital Pool Company)**

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)

Period from Incorporation on June 18, 2018 to October 31, 2018

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	<b>Share Capital</b>		<b>Deficit</b>	<b>Total</b>
	<b>Shares</b>	<b>Amount</b>		
Shares issued for cash	4,000,000	\$ 200,000	\$ –	\$ 200,000
Loss for the period	–	–	(29,380)	(29,380)
<b>Balance, July 31, 2018</b>	<b>4,000,000</b>	<b>\$ 200,000</b>	<b>\$ (29,380)</b>	<b>\$ 170,620</b>

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

**XAU RESOURCES INC.**  
**(A Capital Pool Company)**  
STATEMENT OF CASH FLOWS  
(Expressed in Canadian Dollars)  
Period from Incorporation on June 18, 2018 to October 31, 2018

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	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Loss for the period	\$ (29,380)
Changes in non-cash working capital items:	
Receivables	(650)
Accounts payable and accrued liabilities	916
<b>Net cash used in operating activities</b>	<b>(29,114)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from share issuances	200,000
<b>Net cash provided by financing activities</b>	<b>200,000</b>
<b>Change in cash</b>	<b>170,886</b>
<b>Cash, beginning of the period</b>	<b>–</b>
<b>Cash, end of the period</b>	<b>\$ 170,886</b>

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

## **1. NATURE OF OPERATIONS**

XAU Resources Inc. (the "Company") was incorporated under the *Canada Business Corporations Act* on June 18, 2018. The Company is in the process of completing an Initial Public Offering ("IPO") to be classified as a Capital Pool Company ("CPC") as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. The principal business of the Company is the identification and evaluation of assets or a business (Qualifying Transaction) and, once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities.

The Company's head office, principal address and registered and records office is located at Suite 4100, 66 Wellington Street West, Toronto, Ontario, Canada, M5K 1B7.

These financial statements were authorized for issue by the Board of Directors on November 28, 2018.

These financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company's continuing operations, as intended, are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses within 24 months of listing on the TSX-V.

There is no assurance that the Company will complete a Qualifying Transaction within twenty-four months from the date the Company's shares are listed on the TSX-V, at which time the TSX-V may suspend or de-list the Company's shares from trading.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### ***Basis of Presentation***

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

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

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

### ***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 consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

## 2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

### ***Significant Accounting Estimates and Judgments, continued***

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.

There have been no significant judgements made by management in the application of IFRS that have a significant effect on these financial statements.

### ***Deferred financing costs***

Costs directly identifiable with the raising of capital will be charged against the related share capital. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.

### ***Financial Instruments***

Financial assets classified as fair value through profit and loss ("FVTPL") are measured at fair value with any resultant gain or loss recognized in profit or loss. Financial assets classified as loans and receivables and held to maturity, are measured at amortized cost using the effective interest rate method.

All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. Financial liabilities are classified as other financial liabilities, and are subsequently measured at amortized cost using the effective interest rate method.

The Company's financial assets include cash while the Company's financial liabilities include accounts payable and accrued liabilities, shareholder advances, subordinate and multiple voting debentures. Classification of these financial instruments is as follows:

<u>Financial Instrument</u>	<u>Classification</u>
Cash	FVTPL
Accounts receivable	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities

Financial instruments recorded at fair value on the consolidated balance sheet are classified using 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: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Valuation techniques based on 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)

## **2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

### ***Financial Instruments, continued***

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

The Company's financial instruments measured at fair value on the consolidated balance sheet consist of cash.

### ***Income taxes***

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

### ***Loss per Share***

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (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 and convertible loan, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and the convertible loans were converted 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, the calculations proved to be anti-dilutive.

## **3. RECEIVABLES**

Receivables consist of recoverable amounts paid for harmonized sales taxes charged to the Company on purchases of goods or services.

## **4. DEFERRED FINANCING COSTS**

The Company has entered into a Letter Agreement with Hampton Securities Inc. (the "Agent") dated July 16, 2018 whereby the Company agreed to offer, through the Agent, a minimum of 4,000,000 common shares, and a maximum of 6,000,000 shares, at a price of \$0.10 per share (Note 10).

## **5. SHARE CAPITAL**

**Authorized:** an unlimited number of common shares with no par value.

**Issued:** 4,000,000 common shares.

On June 18, 2018, the Company issued 4,000,000 shares at a price of \$0.05 per share for gross proceeds of \$200,000 pursuant to a private placement. All common shares issued are subject to escrow restrictions upon the completion of the IPO and will be released from escrow in tranches over 36 months from its listing on the TSX-V.

## **6. FINANCIAL RISK MANAGEMENT**

The Company is exposed to a variety of risks related to financial instruments. The Board approves and monitors the risk management processes. The principal types of risk exposure and the way in which they are managed are as follows:

### **Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. Currently, The Company's cash is held in its lawyer's trust account at a bank. Management believes the risk of loss is remote.

### **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due. Accounts payable and accrued liabilities are due within the current operating period. The Company has a sufficient cash balance to settle current liabilities.

### **Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

### **Currency Risk**

The Company's operations and financing activities are conducted in Canadian dollars and as a result, the Company is not subject to significant exposure to market risks from changes in foreign currency rates.

### **Interest Rate Risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is currently not exposed to any interest rate risk as cash is held in a non-interest bearing account and the Company does not hold any interest bearing liabilities.

## **7. FINANCIAL RISK MANAGEMENT, CONTINUED**

### *Fair value*

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.

The fair value of the Company's receivables and accounts payable and accrued liabilities approximates their carrying value because of the short-term nature of the financial instruments. The Company's cash is measured at fair value using Level 1 inputs.

## **8. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the completion of a Qualifying Transaction. Therefore, the Company monitors the level of risk incurred in its expenditures relative to its capital structure.

The Company considers its capital structure to consist of components of shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the potential underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms and approved by the TSX-V.

As a CPC, the Company is subject to externally imposed cash restrictions as outlined in TSX-V Policy 2.4. 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 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company.

**XAU Resources Inc.**  
**(A Capital Pool Corporation)**  
**Notes to Financial Statements**  
(Expressed in Canadian Dollars)  
**October 31, 2018**

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**9. INCOME TAXES**

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

Loss before income taxes	\$ (29,380)
Expected income tax-recovery	7,786
Increase resulting from:	
Deferred transaction costs	1,725
Unrecognized benefit of non-capital losses	(9,511)
Total income tax recovery	\$ –

The significant components of the Company's unrecognized tax assets are as follows:

Non-capital loss carryforwards	\$ 31,105
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The Company has available for deduction against future taxable income non-capital losses of approximately \$31,105. These losses, if not utilized, will expire in 2038.

**10. SUBSEQUENT EVENTS**

- i. The Company is in the process of filing a prospectus offering for a minimum of 4,000,000 to a maximum of 6,000,000 common shares of the Company at a price of \$0.10 per share (the "Offering"). The Company will pay the Agent a commission equal to 10% of the gross funds raised from the Offering and a corporate finance fee of \$25,000, of which \$12,500 was paid in August 2018, and the remaining to be paid upon closing of the offering. The Company will reimburse the Agent for its legal fees and expenses incurred in connection with the Offering. The Company will also grant to the Agent warrants equal to 10% of the common shares sold in connection with the Offering, exercisable at \$0.10 per common share for a period of 24 months from the date the shares are listed on the TSX-V. The Company has granted the Agent the right of first refusal on any further brokered equity financing expiring fourteen months after the completion of the Company's Qualifying Transaction.
- ii. The Company will grant directors and officers a minimum of 800,000 to a maximum of 1,000,000 incentive stock options exercisable at \$0.10 upon closing of the Offering. The stock options will be exercisable for a period of 5 years from the date of grant.

**CERTIFICATE OF THE CORPORATION**

DATE: December 4, 2018

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by securities legislation of Ontario, British Columbia and Alberta.

(Signed) "*Gairat Gary Bay*"

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Gairat Gary Bay  
President, Chief Executive Officer and Director

(Signed) "*Enrico Visentini*"

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Enrico Visentini  
Chief Financial Officer and Corporate Secretary

**ON BEHALF OF THE BOARD OF DIRECTORS**

(Signed) "*Dan Hrushewsky*"

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Dan Hrushewsky  
Director

(Signed) "*Nataliya Hearn*"

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Nataliya Hearn  
Director

**CERTIFICATE OF THE PROMOTER**

DATE: December 4, 2018

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by securities legislation of Ontario, British Columbia and Alberta.

(Signed) "*Gairat Gary Bay*"

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Gairat Gary Bay  
Promoter

**CERTIFICATE OF THE AGENT**

DATE: December 4, 2018

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of Ontario, British Columbia and Alberta.

**HAMPTON SECURITIES LIMITED**

Per: (Signed) "Michael B. Ligeti"  
Michael B. Ligeti  
Senior Vice President – Investment Banking