

GOLDHILLS HOLDING LTD.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2020 AND 2019

Expressed in Canadian Dollars

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MANAGEMENT'S RESPONSIBILITY

To the Shareholders of Goldhills Holding Ltd. (the "Company"):

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and the Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management, and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the external auditors to the Board.

We draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

November 27, 2020

"Sergei Stetsenko"
Sergei Stetsenko, CEO

"Rupert Williams"
Rupert Williams, Director



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Goldhills Holding Ltd.,

Opinion

We have audited the financial statements of Goldhills Holding Ltd. (the "Company"), which comprise the statements of financial position as at July 31, 2020 and 2019, and the statements of loss and comprehensive loss, changes in deficiency and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

DMCL

**DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS**

Vancouver, BC
November 27, 2020

GOLDHILLS HOLDING LTD.
STATEMENTS OF FINANCIAL POSITION
As at July 31, 2020 and 2019
Expressed in Canadian Dollars

	Note	2020	2019
ASSETS			
Current Assets			
Cash	\$	36,455	\$ 61,350
Sales tax receivable		2,654	3,705
Prepaid expense		363	-
Total current assets		39,472	65,055
TOTAL ASSETS	\$	39,472	\$ 65,055
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
LIABILITIES			
Current Liabilities			
Trade and other payables	6, 7 \$	470,752	\$ 505,923
TOTAL LIABILITIES		470,752	505,923
SHAREHOLDERS' DEFICIENCY			
Share capital	8	10,922,629	10,422,078
Share subscription receipts	8	-	212,650
Share-based payment reserve	8	2,015,003	1,872,478
Deficit		(13,368,912)	(12,948,074)
TOTAL SHAREHOLDERS' DEFICIENCY		(431,280)	(440,868)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	\$	39,472	\$ 65,055

Nature of Operations and Going Concern (Note 1)

Subsequent Events (Note 11)

The financial statements were approved by the Board of Directors on November 27, 2020 and were signed on its behalf by:

"Sergei Stetsenko"

Sergei Stetsenko, CEO and Director

"Rupert Williams"

Rupert Williams, Director

GOLDHILLS HOLDING LTD.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED JULY 31, 2020 AND 2019
Expressed in Canadian Dollars

	Note	2020	2019
EXPENSES			
General and administrative			
Management fees	7	\$ 279,979	\$ 460,323
Professional fees		25,806	20,790
Transfer agent and filing fees		23,069	38,173
Office and general		942	3,465
Bank, interest and other expenses (recovery)		(7,909)	20,555
Investor relations		852	2,973
Share-based compensation	7, 8	142,525	-
Foreign exchange loss		12,232	6,903
Loss before other item		(477,496)	(553,182)
Other item			
Gain on settlement of debt	7	56,658	-
Interest income		-	841
Net Loss and Comprehensive Loss for the Year		\$ (420,838)	\$ (552,341)
Basic and Diluted Loss Per Share		\$ (0.03)	\$ (0.08)
Weighted Average Number of Common Shares Outstanding – Basic and Diluted		12,452,899	6,750,402

GOLDHILLS HOLDING LTD.
STATEMENTS OF CHANGES IN DEFICIENCY
FOR THE YEARS ENDED JULY 31, 2020 AND 2019
Expressed in Canadian Dollars

	Common Shares		Share Subscription Receipts	Share-Based Payment Reserve	Deficit	Shareholders' Deficiency
	Shares	Amount				
		\$	\$	\$	\$	\$
Balance, July 31, 2018	6,335,365	10,228,360	-	1,872,478	(12,395,733)	(294,895)
Shares issued - private placement (Note 8)	2,657,693	199,327	-	-	-	199,327
Share issue costs (Note 8)	-	(5,609)	-	-	-	(5,609)
Share subscription receipts (Note 8)	-	-	212,650	-	-	212,650
Net loss for the year	-	-	-	-	(552,341)	(552,341)
Balance, July 31, 2019	8,993,058	10,422,078	212,650	1,872,478	(12,948,074)	(440,868)
Shares issued - private placement (Notes 7 and 8)	6,503,334	512,750	(212,650)	-	-	300,100
Share issue costs (Note 8)	-	(12,199)	-	-	-	(12,199)
Share-based compensation (Notes 7 and 8)	-	-	-	142,525	-	142,525
Net loss for the year	-	-	-	-	(420,838)	(420,838)
Balance, July 31, 2020	15,496,392	10,922,629	-	2,015,003	(13,368,912)	(431,280)

GOLDHILLS HOLDING LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2020 AND 2019
Expressed in Canadian Dollars

	2020	2019
OPERATING ACTIVITIES		
Net loss for the year	\$ (420,838)	\$ (552,341)
Items not affecting cash:		
Gain on settlement of debt	(56,658)	
Unrealized foreign exchange loss	4,357	1,985
Share-based compensation	142,525	-
	(330,614)	(550,356)
Net changes in non-cash working capital:		
Sales tax receivable	1,051	38,547
Prepaid expense	(363)	-
Trade and other payables	17,130	79,232
Net cash used in operating activities	(312,796)	(432,577)
FINANCING ACTIVITIES		
Shares issued for cash	300,100	199,327
Share issuance costs	(12,199)	(5,609)
Share subscription receipts	-	212,650
Net cash provided by financing activities	287,901	406,368
Decrease in cash	(24,895)	(26,209)
Cash, beginning of year	61,350	87,559
Cash, end of year	\$ 36,455	\$ 61,350

GOLDHILLS HOLDING LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2020 AND 2019
Expressed in Canadian Dollars

1) Nature of Operations and Going Concern

Goldhills Holding Ltd. (the “Company”) was incorporated in the Province of British Columbia on December 20, 1996. On September 28, 2019, the Company changed its name from Greatbanks Resources Ltd. to Goldhills Holding Ltd. and has a new trading symbol on the TSX Venture Exchange (“TSX-V”) as (“GHL”). The Company is in the exploration stage. The Company’s registered and records office is at 400 - 837 West Hastings Street, Vancouver, British Columbia, V6C 3N6.

The Company consolidated its common shares on the basis of 10 pre-consolidation shares for 1 post-consolidation share on January 18, 2019. All share figures have been retroactively adjusted to reflect the share consolidation.

These financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The business of mining and exploration involves a high degree of risk and there can be no assurance that future exploration programs will result in profitable mining operations. The recoverability of mineral property expenditures is dependent upon several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of exploration and evaluation assets.

Consistent with other companies in the sector of mineral exploration, the Company has incurred operating losses since inception, has no source of revenue, is unable to self-finance operations and has significant cash requirements to meet its overhead and maintain its mineral interests. The Company needs to raise equity financing in the short-term to continue its operations. These conditions indicate a material uncertainty exists that may cast significant doubt upon the Company’s ability to continue as a going concern.

For the Company to continue to operate as a going concern it needs the ongoing financial support of its related parties and vendors and the Company must continue to obtain additional financing to maintain operations; although the Company has been successful in the past at raising funds, there can be no assurance that this will continue in the future.

If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the financial position classifications used and such adjustments could be material.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

2) Basis of Preparation - Statement of Compliance

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and pronouncements of the IFRS Interpretations Committee (“IFRICs”) as issued by the International Accounting Standards Board (“IASB”), and effective for the year ended July 31, 2020. These financial statements were authorized for issue by the Board of Directors on November 27, 2020.

These financial statements have been prepared under the historical cost convention as set out in the accounting policies in Note 3 except for amounts recorded at fair value.

2) Basis of Preparation - Statement of Compliance (continued)

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods (see Note 4).

3) Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements except for the changes described in Note 3 (h). The Company's principal accounting policies are outlined below:

a) Foreign Currency

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

b) Share-Based Payments

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

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of loss and comprehensive loss over the remaining vesting period.

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

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of loss and comprehensive loss/income. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in share-based payment reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

3) Summary of Significant Accounting Policies (continued)

b) Share-Based Payments (continued)

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Share-based payment transactions. The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The Company recognizes share-based compensation expense based on the estimated fair value of the options. A fair value measurement is made for each vesting instalment within each option grant and is determined using the Black-Scholes Option-Pricing Model. The fair value of the options is recognized over the vesting period of the options granted as both share-based compensation expense and reserves. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods. The reserves account is subsequently reduced if the options are exercised and the amount initially recorded is then credited to share capital. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of the goods or services received.

c) Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

d) Loss Per Share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted earnings per share is computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting years.

e) Cash

Cash consist of deposits in banks with an original maturity of three months or less.

GOLDHILLS HOLDING LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2020 AND 2019
Expressed in Canadian Dollars

3) Summary of Significant Accounting Policies (continued)

f) Financial Instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive loss (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The following table shows the classification under IFRS 9:

Financial assets/liabilities	IFRS 9 Classification
Cash	FVTPL
Trade and other payables	Amortized cost

Measurement

Financial assets at FVTOCI

Elected investments in equity investments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive loss.

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transactions costs expensed in the statements of net loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are recorded in the statements of net loss in the period in which they arise.

Impairment of financial assets at amortized cost

The Company recognized a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset’s credit risk has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of net loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

3) Summary of Significant Accounting Policies (continued)

f) Financial Instruments (continued)

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of net loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of net loss.

g) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount receivable can be measured reliably.

h) Change in Accounting Policies

Leases

The Company adopted all of the requirements of IFRS 16 *Leases* ("IFRS 16") as of August 1, 2019. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The adoption of IFRS 16 did not have an impact on the Company's financial statements as the Company has no leases.

4) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amount and classification of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revisions affect only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The following are the critical judgments and areas involving estimates, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amount recognized in the financial statements.

a) Share-Based Payment Transactions

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments such as stock options and compensatory warrants at the date they are granted. Estimating the fair value for granted stock options and compensatory warrants requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate model including the expected life of the option or warrant, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The assumptions and model used for estimating the fair value for share-based payment transactions are disclosed in Note 8.

b) Rehabilitation Provisions

Rehabilitation provisions have been assessed based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period.

Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market conditions at the time the rehabilitation costs are actually incurred.

c) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

4) Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

d) Recovery of Deferred Tax Assets

Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future years, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future years.

5) Future Accounting Pronouncements

There are no other IFRS or International Financial Reporting Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements.

6) Financial Instruments and Risk Management

a) Financial Instrument Classification and Measurement

Financial instruments of the Company carried on the Statement of Financial Position are carried at FVTPL and amortized cost. There are no significant differences between the carrying value of financial instruments and their estimated fair values as at July 31, 2020 due to the immediate or short-term maturities of the financial instruments.

Fair values of financial assets and liabilities

The Company's financial instruments include cash and trade and other payables. Trade and other payables approximate their fair value due to their short-term nature. The fair value of cash is determined using level 1 inputs.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

b) Market Risk

Market risk is the risk that changes in market prices will affect the Company's earnings or the value of its financial instruments. Market risk is comprised of commodity price risk and interest rate risk. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns. The Company is not exposed to significant market risk.

GOLDHILLS HOLDING LTD.
NOTES TO FINANCIAL STATEMENTS
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6) Financial Instruments and Risk Management (continued)

c) 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 bank accounts. The Company's bank accounts are held with major banks in Canada accordingly the Company believes it not exposed to significant credit risk.

d) Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. To manage this risk the Company maintains only the minimum amount of foreign cash required. The Company is not exposed to significant foreign currency risk.

e) Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. As the Company has no significant source of cash flows, this is a significant risk. The following table summarizes the Company's significant remaining contractual maturities for financial liabilities as at July 31, 2020 and 2019:

	3 months	3 and 12 months	Over 12 months	Total
July 31, 2020				
Trade and other payables	\$ 446,752	\$ 24,000	\$ -	\$ 470,752
July 31, 2019				
Trade and other payables	\$ 481,923	\$ 24,000	\$ -	\$ 505,923

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7) Related Party Transactions

Related party transactions and balances not disclosed elsewhere in the financial statements are as follows:

Name and Principal Position		July 31 Remuneration of Fees ⁽¹⁾	Share-Based Awards	Included in Accounts Payable
		\$	\$	\$
A company controlled by the current CEO and director -				
Management fees	2020	161,696	71,263	53,616
	2019	158,931	-	-
A company controlled by the current CFO -				
Management fees	2020	36,000	-	3,150
	2019	18,000	-	6,300
A company controlled by the former CFO -				
Management fees	2020	-	-	34,650
	2019	18,000	-	34,650
A company controlled by the former Corporate Secretary and former CFO -				
Management fees	2020	-	-	24,000
	2019	-	-	24,000
A company controlled by the former CEO and director -				
Management fees	2020	-	-	93,828
	2019	52,443	-	91,576
A company controlled by the former President -				
Management fees	2020	-	-	90,268
	2019	-	-	89,189
Current directors of the Company -				
Management fees	2020	82,283	71,262	20,106
	2019	132,696	-	106,696
Former director of the Company -				
Management fees	2020	-	-	-
	2019	80,253	-	-

⁽¹⁾ Amounts disclosed were paid or accrued to the related parties during the years ended July 31, 2020 and 2019. The amounts are due on demand, unsecured and non-interest bearing.

During the year ended July 31, 2020, aggregate remuneration of \$279,979 (2019 - \$460,323) was paid or accrued to key management personnel.

During the year ended July 31, 2020, a total of 1,549,600 (2019 - Nil) stock options were granted to key management personnel with a fair value of \$142,525 (Note 8).

There were no payments during the year for short-term employee benefits, post-employment benefits, long-term benefits and termination benefits.

During the year ended July 31, 2020, the Company settled through cash its balance owing to a director that resigned after year end for \$52,500. The settlement resulted in a gain on related party debt settlement of \$56,658 and was recorded in the Statements of Loss and Comprehensive Loss.

As at July 31, 2020, \$319,618 (2019 - \$352,411) is included in trade and other payables owing to current and former directors and officers for management fees.

During the year ended July 31, 2020, the Company received \$21,225 from the CEO as part of the private placement completed on May 8, 2020 (Note 8).

During the year ended July 31, 2019, the Company received \$52,500 from the CEO as part of the private placement completed on June 4, 2019 (Note 8).

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7) Related Party Transactions (continued)

During the year ended July 31, 2019, the Company received \$147,000 from directors and \$65,650 from the CEO with respect to share subscriptions in connection to a private placement completed on August 21, 2019 (Note 8).

8) Share Capital

a) Authorized

The Company is authorized to issue 100,000,000 common shares without par value.

The holders of common shares are entitled to receive dividends which are declared from time to time and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

On June 4, 2019, the Company closed a private placement, issuing 2,657,693 common shares at a price of \$0.075 per share for total proceeds of \$199,327. In connection with the first tranche issuance, the Company incurred \$5,609 share issuance costs.

On August 21, 2019, the Company closed a private placement, issuing 2,835,333 common shares to directors and officers of the Company at a price of \$0.075 per share for total proceeds of \$212,650 which was received during the year ended July 31, 2019. In connection with the final tranche issuance, the Company incurred \$4,058 share issuance costs.

On May 8, 2020, the Company closed a private placement, issuing 2,668,001 common shares at a price of \$0.075 per shares for total proceeds of \$200,100. In connection with this issuance, the Company incurred \$7,146 share issuance costs.

On May 28, 2020, the Company closed a private placement, issuing 1,000,000 common shares at a price of \$0.10 per share for total proceeds of \$100,000. In connection with this issuance, the Company incurred \$995 share issuance costs.

b) Summary of Stock Option Activity

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant, both in aggregate and in any one-year period. The maximum number of common shares reserved for issue to any one person other than employees conducting investor relations activities and any consultants under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant, both in aggregate and in any one-year period.

The number of options granted to all persons who are consultants or employed to perform investor relations activities shall not exceed 2% of the then issued and outstanding shares of the Company. Options may be granted for a maximum term of five years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company.

On March 4, 2020, 1,182,000 stock options were issued to directors and officers. The stock options have an expiry of 10 years from the date of issuance, exercisable at \$0.055 per share and vest immediately (Note 7).

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8) **Share Capital (continued)**

b) **Summary of Stock Option Activity (continued)**

The fair value of the stock options was estimated to be \$93,571 and was determined using the Black-Scholes Option Pricing Model with the following weighted average assumptions: share price of \$0.085, expected share price volatility of 170.83%, expected life of 4 years and risk-free interest rate of 0.95%. The expected volatility is based on historical prices of comparable companies within the same industry due to lack of historical pricing information for the Company.

On May 4, 2020, the Company granted a total of 267,600 stock options to its directors and officers, exercisable at \$0.085 per share. The stock options have an expiry of 10 years from the date of issuance and vest immediately (Note 7).

The fair value of the stock options was estimated to be \$35,020 and was determined using the Black-Scholes Option Pricing Model with the following weighted average assumptions: share price of \$0.14, expected share price volatility of 171.89%, expected life of 4 years and risk-free interest rate of 0.46%. The expected volatility is based on historical prices of comparable companies within the same industry due to lack of historical pricing information for the Company.

On June 26, 2020, the Company granted a total of 100,000 stock options to its directors and officers, exercisable at \$0.16 per share. The stock options have an expiry of 10 years from the date of issuance and vest immediately (Note 7).

The fair value of the stock options was estimated to be \$13,934 and was determined using the Black-Scholes Option Pricing Model with the following weighted average assumptions: share price of \$0.16, expected share price volatility of 151.33%, expected life of 4 years and risk-free interest rate of 0.43%. The expected volatility is based on historical prices of comparable companies within the same industry due to lack of historical pricing information for the Company.

The stock option activity during the years ended July 31, 2020 and 2019 is summarized as follows:

STOCK OPTION ACTIVITY	July 31, 2020	Exercise Price	July 31, 2019	Exercise Price
Balance, beginning of year	-	\$ -	35,000	\$ 1.00
Forfeited	-	-	(35,000)	1.00
Granted	1,182,000	0.055	-	-
Granted	267,600	0.085	-	-
Granted	100,000	0.160	-	-
Balance, end of year	1,549,600	\$ 0.067	-	\$ -

During the year ended July 31, 2019, 35,000 stock options granted to former directors and officers of the Company were forfeited.

The following summarizes information about stock options outstanding and exercisable at July 31, 2020:

EXPIRY DATE	Options outstanding and exercisable	Exercise price	Weighted average remaining contractual life, in years
March 4, 2030	1,182,000	\$ 0.055	9.57
May 4, 2030	267,600	0.085	9.74
June 26, 2030	100,000	0.160	9.88
	1,549,600	\$ 0.067	9.62

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8) Share Capital (continued)

c) Summary of Share Purchase Warrant Activity

Warrant activity during the years ended July 31, 2020 and 2019 is summarized as follows:

WARRANT ACTIVITY	July 31, 2020	Exercise price	July 31, 2019	Exercise price
Balance, beginning of year	-	\$ -	4,913,791	\$ 0.80
Expired	-	-	(4,913,791)	0.80
Balance, end of year ⁽ⁱ⁾	-	\$ -	-	\$ -

⁽ⁱ⁾The number of warrants is expressed in equivalent number of common shares, which may be issuable upon exercise.

During the year ended July 31, 2019, 4,913,791 share purchase warrants expired unexercised.

The Company recognizes warrant valuation for finder's fee warrants for granted using the fair value-based method of accounting. No finder's fee warrants were issued for the year ended July 31, 2020 and 2019.

d) Reserves

The share-based and warrant payment reserves recorded items recognized as share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

9) Income Taxes

Taxation in the Company's operational jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The difference between tax expense for the year and the expected income taxes based on the statutory tax rates arises as follows:

	July 31, 2020	July 31, 2019
Loss for the year before taxes	\$ (420,838)	\$ (552,341)
Income tax at local statutory rates at 27.00%	(114,000)	(149,000)
Impact of (over) under provision in prior year	1,000	2,000
Share issue costs	(3,000)	(2,000)
Other	(15,000)	
Change in unrecognized deferred tax assets	131,000	149,000
Total income tax recovery	\$ -	\$ -

The Canadian combined Federal and British Columbia tax rates remained the same at 27.00%.

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9) Income Taxes (continued)

Deferred Tax Assets and Liabilities

The nature and tax effect of the temporary differences giving rise to the deferred tax assets and liabilities as at July 31, 2020 and 2019 are summarized as follows:

	July 31, 2020	July 31, 2019
Non-capital losses	\$ 1,952,000	\$ 1,821,000
Other items	11,000	12,000
Exploration and development expenses	1,083,000	1,083,000
Total deferred tax assets	3,046,000	2,916,000
Unrecognized deferred tax assets	(3,046,000)	(2,916,000)
Net deferred tax assets	\$ -	\$ -

The total benefits of these carry-forward non-capital loss, and deductible temporary differences have not been recognized in these financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax assets to be recovered.

The Company has non-capital losses of \$7,232,000 that will expire between 2027 to 2040.

10) Capital Disclosure

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is in the business of mineral exploration and has no source of operating revenue. Operations are financed through the issuance of capital stock. Capital raised is held in cash in an interest-bearing bank account until such time as it is required to pay operating expenses or mineral property costs. The Company is not subject to any externally imposed capital restrictions. Its objectives in managing its capital are to safeguard its cash and its ability to continue as a going concern, and to utilize as much of its available capital as possible for exploration activities. The Company is not subject to any externally imposed capital requirements and the Company's objectives have not changed during the year ended July 31, 2020.

11) Subsequent Events

On September 3, 2020, the Company closed its a private placement, issuing 1,666,673 common shares at a price of \$0.15 per shares for total proceeds of \$250,001. In connection with this issuance, the Company incurred \$17,138 share issuance costs.

On September 4, 2020, the Company granted a total of 166,000 stock options to its directors and officers, exercisable at \$0.15 per share. The stock options have an expiry of 10 years from the date of issuance and vest immediately.