

**Fusion Gold Ltd**  
**(A Capital Pool Company)**

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED**

**Three and nine months ended September 30, 2019 and 2018**

**Reader's Note**

**These unaudited condensed interim financial statements of Fusion Gold Ltd have been prepared by management and have not been reviewed by the Company's auditors.**

**FUSION GOLD LTD.**

(CAPITAL POOL COMPANY)

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2019 AND DECEMBER 31, 2018

(Expressed in Canadian dollars - Unaudited)

	Note	September 30, 2019 \$	December 31, 2018 \$
<b>ASSETS</b>			
Cash		178,507	305,803
Accounts receivable		6,033	2,591
<b>Total assets</b>		<b>184,540</b>	<b>308,394</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	7	46,328	10,866
Note payable	4 & 7	-	40,000
<b>Total liabilities</b>		<b>46,328</b>	<b>50,866</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	5	320,477	320,477
Share-based payment and warrants reserve	5 & 6	21,891	21,891
Deficit		(204,156)	(84,840)
<b>Total shareholders' equity</b>		<b>138,212</b>	<b>257,528</b>
<b>Total liabilities and shareholders' equity</b>		<b>184,540</b>	<b>308,394</b>

Nature of Operations (Note 1)

Subsequent Events (Note 10)

Approved by the Board of Directors on October 23, 2019

"January Vandale"

Director

"David De Witt"

Director

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

**FUSION GOLD LTD.**

(CAPITAL POOL COMPANY)

CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

(Expressed in Canadian dollars - Unaudited)

		Three months ended September 30, 2019 \$	Three months ended September 30, 2018 \$	Nine months ended September 30, 2019 \$	Nine months ended September 30, 2018 \$
	Note				
<b>Operating and Administrative Expenses</b>					
Listing and filing fees		200	7,632	7,924	7,632
Professional fees		79,302	1,356	82,081	7,019
Share-based payment	5	-	11,274	-	11,274
Other general and administrative fees		9,474	6,043	29,311	6,618
		<b>88,976</b>	26,305	<b>119,316</b>	32,543
<b>Net loss and comprehensive loss for the period</b>					
		<b>88,976</b>	26,305	<b>119,316</b>	32,543
<b>Net loss per share</b>					
Basic and diluted		<b>0.04</b>	0.13	<b>0.06</b>	0.49
<b>Weighted average number of common shares outstanding (basic and diluted)</b>					
	5	<b>2,000,000</b>	195,652	<b>2,000,000</b>	65,934

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

**FUSION GOLD LTD.**

(CAPITAL POOL COMPANY)

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

(Expressed in Canadian dollars - Unaudited)

	Note	Share capital (Number of shares – fully paid)	Share capital \$	Share-based payment and warrants reserve \$	Deficit \$	Total \$
Balance, December 31, 2017		1	1	-	(37,671)	(37,670)
Private placement	5	4,200,000	210,000	-	-	210,000
Initial Public Offering (“IPO”) (net of issue costs)	5	2,000,000	121,094	-	-	121,094
Warrants issued to agents in conjunction with IPO	5 & 6		(10,617)	10,617	-	-
Share-based payments	5	-	-	11,274	-	11,274
Share repurchase	5	(1)	(1)	-	-	(1)
Net loss for the period		-	-	-	(32,543)	(32,543)
<b>Balance, September 30, 2018</b>		<b>6,200,000</b>	<b>320,477</b>	<b>21,891</b>	<b>(70,214)</b>	<b>272,154</b>
Balance, December 31, 2018		6,200,000	320,477	21,891	(84,840)	257,528
Net loss for the period		-	-	-	(119,316)	(119,316)
<b>Balance, September 30, 2019</b>		<b>6,200,000</b>	<b>320,477</b>	<b>21,891</b>	<b>(204,156)</b>	<b>138,212</b>

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

**FUSION GOLD LTD.**

(CAPITAL POOL COMPANY)

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

(Expressed in Canadian dollars - Unaudited)

	Note	Three months ended September 30, 2019 \$	Three months ended September 30, 2018 \$	Nine months ended September 30, 2019 \$	Nine months ended September 30, 2018 \$
<b>Cash flows provided by (used in)</b>					
<b>Operating Activities</b>					
Net loss		(88,976)	(26,305)	(119,316)	(32,543)
Add back: Share-based compensation		-	11,274	-	11,274
Changes in non-cash working capital:		(88,976)	(15,031)	(119,316)	(21,269)
Accounts payable and accrued liabilities		43,658	22,851	35,462	22,159
Accounts receivable		(4,189)	(1,074)	(3,442)	(1,768)
		<b>39,469</b>	<b>21,777</b>	<b>32,020</b>	<b>20,391</b>
<b>Financing activities</b>					
Proceeds received from private placement	5	-	-	-	210,000
Proceeds from IPO, net of share issuance costs	5	-	142,272	-	121,094
Share repurchase	5	-	-	-	(1)
Repayment of shareholder loan	4	(40,000)	-	(40,000)	-
		<b>(40,000)</b>	<b>142,272</b>	<b>(40,000)</b>	<b>331,093</b>
<b>Increase (decrease) in cash for the period</b>		<b>(89,507)</b>	<b>149,018</b>	<b>(127,296)</b>	<b>330,215</b>
Cash - beginning of period		<b>268,014</b>	<b>187,021</b>	<b>305,803</b>	<b>5,824</b>
<b>Cash - end of period</b>		<b>178,507</b>	<b>336,039</b>	<b>178,507</b>	<b>336,039</b>
<b>Non-cash investing and financing activities</b>					
Warrants issued to Agents in conjunction with IPO (note 6)		-	10,617	-	10,617

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

# FUSION GOLD LTD.

(CAPITAL POOL COMPANY)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

(Unaudited)

Expressed in Canadian dollars unless otherwise stated

## 1. Nature of operations

### *Nature of operations*

Fusion Gold Ltd. (the "Company" or "Fusion") was incorporated under the British Columbia Business Corporations Act on April 16, 2007. The Company is classified as a Capital Pool Company as defined in the TSX Venture Exchange (the "Exchange") Policy 2.4. The principal business of the Company is the identification and evaluation of a Qualifying Transaction ("QT") 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 Corporation's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate a QT. The QT will be subject to the approval of the Exchange and in case of a non-arm's length transaction, of the majority of the Corporation's minority shareholders. Under the rules of the Exchange, the Company must complete a QT within twenty-four months from the date the Company's shares were listed on the Exchange; if the Company fails to complete a QT within this time frame, the Exchange may de-list the Company's shares from trading.

On July 9, 2018, the Company filed a final prospectus ("the Prospectus") in relation to the offering of 2,000,000 common shares of the Company. On September 21, 2018, the Company completed an Initial Public Offering ("IPO") and issued 2,000,000 common shares of Fusion at a purchase price of \$0.10 for gross proceeds of \$200,000 (Note 5). The Company's shares commenced trading on the Exchange on September 25, 2018 under the symbol FMLP.

On August 30, 2019, Fusion entered into a binding Letter Agreement with Battery Mineral Resources Limited. ("Battery"), which sets out the principal terms upon which Fusion will acquire all of the issued and outstanding securities of Battery (together with the related transactions and corporate procedures set out in the Letter Agreement, the "Transaction"). In connection with the Transaction, Fusion intends to consolidate its common shares on a 2.5:1 basis.

On closing of the Transaction, Fusion will change its name to "Battery Mineral Resources Inc." or such other similar name as Battery may direct and which is acceptable to the Exchange and other applicable regulatory authorities. From and upon completion of the Transaction, the Resulting Issuer will carry on the mineral exploration business conducted by Battery, and the common shares of the Resulting Issuer will be listed under the trading symbol "BMR". Fusion and Battery anticipate that, on closing of the Transaction, the Resulting Issuer will meet the TSXV's initial listing requirements for a Tier 1 or Tier 2 mining issuer.

Fusion and Battery currently intend to effect the Transaction in reliance upon a court sanctioned scheme of arrangement under the Corporations Act (Australia) (the "Arrangement"), pursuant to which Fusion will acquire all of the issued and outstanding securities of Battery in consideration for securities of Fusion, and Battery will become a wholly-owned subsidiary of Fusion.

Completion of the Transaction is subject to the satisfaction of certain conditions, including but not limited to: (i) the completion of the Concurrent Financing (as defined below); (ii) completion of the Share Consolidation; (iii) approval of the Arrangement by the shareholders of Battery and the Court; (iv) if and to the extent required by applicable law, approval of the requisite majority of Fusion shareholders (however as currently contemplated, the Transaction will not require approval of Fusion shareholders); (v) the absence of any material adverse change in the business, assets, liabilities or prospects of either Fusion or Battery; (vi) no proceeding or law being enacted or commenced that enjoins, prohibits or renders illegal the consummation of the Transaction; (vii) completion of satisfactory due diligence reviews of each of Fusion and Battery by the other; (viii) neither the Share Purchase Agreements (as defined below) nor the Support Agreement (as defined in the Agreement) shall have been terminated; (ix) executed resignations and releases from current officers and directors of Fusion; and (x) receipt of all requisite regulatory, stock exchange, court or governmental authorizations and third party consents and approvals, including the approval of the TSXV, the Court, and the Australian Securities and Investment Commission. Accordingly, there can be no assurance that the Transaction will be completed on the terms proposed or at all.

In the event the Transaction is not consummated for any reason other than as a result of Fusion exercising its right to terminate the Letter Agreement as a result of its due diligence review of Battery, or the failure of Fusion to fulfill a material

## **FUSION GOLD LTD.**

(CAPITAL POOL COMPANY)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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condition or obligation under the Letter Agreement or the Definitive Agreement, Battery has agreed to pay, or cause to be paid, to Fusion, \$150,000, as an expense reimbursement (note 10).

Concurrently with execution and delivery of the Letter Agreement, Weston Energy LLC ("Weston") entered into share purchase agreements (the "Share Purchase Agreements") with David DeWitt and January Vandale, both directors of the Company (together, the "Fusion Vendors"). Under the Share Purchase Agreements, the Fusion Vendors have agreed to sell and transfer to Weston, concurrently with the completion of the Transaction, an aggregate of 3,200,000 outstanding common shares of Fusion (prior to giving effect to the Consolidation) at a price of \$0.08 per share. Those shares are currently held in escrow pursuant to an escrow agreement, dated June 19, 2018, among Fusion, the Fusion Vendors and Odyssey Trust Company of Canada as escrow agent.

In connection with the Transaction, Battery proposes to complete a "best efforts" non-brokered private placement of at least 8,000,000 subscription receipts (each, a "Subscription Receipt"), at a price of US\$0.50 per Subscription Receipt, for gross proceeds of at least US\$4,000,000 (the "Concurrent Financing") (note 10).

Subject to satisfaction or waiver of the conditions to the Transaction, Fusion and Battery anticipate that the Transaction will be completed on or before February 14, 2020.

The head office, principal address and registered office of the Company are located at Suite 1400, 400 Burrard Street, Vancouver, British Columbia, V6C 3A6.

## **2. Basis of presentation and significant accounting policies**

### *Basis of Compliance*

These condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed interim financial statements do not include all the necessary annual disclosures in accordance with IFRS, and should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2018.

The accounting policies followed in these condensed interim financial statements are the same as those applied in the Company's most recent audited annual financial statements for the year ended December 31, 2018.

### *Basis of Presentation*

These condensed interim financial statements have been prepared on a historical cost basis, except for any financial assets and liabilities held at fair value. The condensed interim financial statements are presented in Canadian Dollars, which is also the Company's functional currency.

### *Changes in accounting standards*

Effective January 1, 2018, the Company adopted IFRS 15, Revenue from Contracts with Customers and the amendments to IFRS 2, Share-Based Payments. The adoption of IFRS 15 and the amendments to IFRS 2 did not have a significant impact on the Company's financial statements.

Effective January 1, 2019, the Company adopted IFRS 16, Leases and IFRIC 23 (IFRS Interpretations Committee, Uncertainty over Income Tax Treatments). The adoption of IFRS 16 and IFRIC 23 did not have a significant impact on the Company's financial statements.

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### **3. Significant Accounting Estimates and Judgments**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Management believes the estimates and assumptions used in these condensed interim financial statements are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

The Company's significant accounting judgments and estimates are consistent with those applied in the audited annual financial statements for the year ended December 31, 2018.

### **4. Note Payable**

In 2007, Pathway Capital Ltd ("Pathway"), a company where the shareholder and director of Fusion, is a shareholder, director, and officer, loaned Fusion \$40,000. This loan is non-interest-bearing, has no fixed repayment date and no covenants attached to it. During the third quarter 2019, the loan from Pathway was repaid in full and as such at September 30, 2019 the amount outstanding is \$nil (December 31, 2018 - \$40,000).

### **5. Share Capital and Reserves**

#### a) Authorized:

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

#### b) Issued and Outstanding:

On September 21, 2018, the Company completed an IPO and sold 2,000,000 common shares of Fusion at a price of \$0.10 for gross proceeds of \$200,000. Share issuance costs of \$78,906 were incurred and recorded as a reduction to equity. In addition, upon closing of the IPO, the Company issued 200,000 non-transferable warrants to Canaccord Genuity Corp (the "Agent"), entitling them to purchase 200,000 common shares of the Company sold under the Offering at a price of \$0.10 per share for a period of two years from the date of closing the offering. The Company recognized the fair value of \$10,617 of the warrants as share issuance costs, using the Black Scholes Option Pricing Model (note 6).

On February 7, 2018, certain directors and officers of the Company subscribed for 4,200,000 common shares of Fusion at \$0.05 per share, for a total receipt of \$210,000. No costs were incurred in connection with this share issuance. Should the Company fail to complete a QT on or before two years from the date the Company listed on the Exchange (note 1), these shares will be cancelled and as such are considered contingently returnable; as such all such shares have been excluded from the calculation of basic earnings per share. Also, on February 7, 2018, the Company repurchased the one share previously outstanding at face value and at the same time reduced its issued and outstanding common shares accordingly by one share.

As at September 30, 2019, the Company had 6,200,000 common shares issued and outstanding. Of these common shares, 4,285,000 are held in escrow pursuant to an escrow agreement. Under the escrow agreement, 10% of the escrowed common shares will be released from escrow on the date of the issuance of the Final Exchange Bulletin (as defined by Exchange policy 2.4) (the "Initial Release") upon completion of a QT, and an additional 15% will be released every six months following the Initial Release over a period of thirty-six months.

#### c) Stock Options

The Company has an incentive stock option plan (the "Option Plan") whereby the Company may grant stock options to eligible employees, officers, directors and consultants at an exercise price, expiry date, and vesting conditions to be determined by the board of directors. The maximum expiry term is ten years from the grant date. All options are equity

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settled. The Option Plan provides for the issuance of up to 10% of the Company's issued and outstanding common shares as at the date of the grant. Any common shares acquired pursuant to the exercise of options prior to the completion of a QT must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued.

Pursuant to the completion of the IPO, September 21, 2018, the Company issued 150,000 stock options with an exercise price of \$0.10; no stock options had previously been issued. All stock options issued vested upon grant and expire five years from the date of grant. The following weighted average assumptions were used to estimate the grant date fair value using the Black Scholes model:

	September 21, 2018
Expected dividend yield	0.00%
Expected stock price volatility	100%
Risk-free interest rate	2.35%
Expected life of the options	5.00 years
Grant date fair value per option	\$0.075

The total value of the share-based payment of \$11,274 recognized by the Company in relation to these options was recorded during the year ended December 31, 2018.

As at September 30, 2019, all 150,000 options remain outstanding and exercisable and have a remaining life of 3.98 years.

## 6. Warrants

Pursuant to the completion of the IPO, on September 21, 2018, the Company issued the Agent a total of 200,000 non-transferable share purchase warrants at an exercise price of \$0.10 per share for a period of two years from the date of closing the offering. All warrants are exercisable upon issuance as there are no vesting conditions attached. Not more than 50% of the common shares of the Company which can be acquired by the Agent 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 following weighted average assumptions were used to estimate the grant date fair value of these warrants using the Black Scholes model:

	September 21, 2018
Expected dividend yield	0.00%
Expected stock price volatility	100%
Risk-free interest rate	2.17%
Expected life of the warrants	2.00 years
Grant date fair value per warrant	\$0.053

The total value of the warrants of \$10,617 was recorded as a share issuance cost in the year ended December 31, 2018. All warrants were outstanding and exercisable as at September 30, 2019 and had a remaining life of 0.98 years.

## 7. Related party transactions

Related parties of the Company include the members of the Board of Directors, officers of the Company and close family members of these individuals. In addition, companies controlled by these individuals are also related parties of Fusion. The Company's Chief Executive Officer, January Vandale, and some of her close family members, as well as other related parties of Fusion, purchased 85,000 common shares of the Company in the IPO which closed on September 21, 2018 (note 5). These

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shares were placed under escrow and are to be released from escrow in tranches over 36 months commencing from the date of the Company receiving the Final Exchange Bulletin upon completion of a QT.

On September 21, 2018, the Company issued 150,000 stock options to directors and officers of the Company. A total expense was recognized in relation to these options of \$11,274 in the year ended December 31, 2018 (note 5).

On July 1, 2018, Fusion entered into an administrative services agreement with Pathway, a company where a shareholder and director of Fusion, is a shareholder, director, and officer, to pay for rent and other administrative services. In the three and nine months ended September 30, 2019, Fusion paid Pathway \$4,000 and \$16,000 respectively, and in addition as at September 30, 2019 had accrued \$2,000 in relation to such services; these expenses are included under General and administrative fees in the Statement of Loss and Comprehensive Loss. As at September 30, 2019 Fusion has an accounts payable balance of \$2,139 owing to Pathway (December 31, 2018 - \$6,514).

As at September 30, 2019, there is a Note payable to Pathway of \$nil (December 31, 2018-\$40,000) (see Note 4).

Key management personnel consists of officers and directors of the Company. No compensation was paid to key management personnel during the three and nine months ended September 30, 2019 or 2018.

### **8. Financial Instruments**

As at September 30, 2019, the Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. The Company classifies cash and receivables as financial assets measured at amortized cost. The Company classifies accounts payable and accrued liabilities as financial liabilities held at amortized cost.

The fair value of these financial instruments is equal to their carrying value unless otherwise noted.

The risk exposure arising from these financial instruments is summarized as follows:

#### (a) Credit risk

The majority of the Company's financial assets is cash. The Company holds all cash balances with a highly rated Canadian financial institution, therefore minimizing the Company's credit risk.

#### (b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's ability to continue to meet its liabilities when due, beyond the current cash balance, is dependent on future support of shareholders through public equity offerings. As at September 30, 2019, the Company had no contractual obligations which result in a financial liability beyond accounts payable and accrued liabilities.

#### (c) 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 value of its holdings or financial instruments. The Company's activities have only been transacted in Canadian dollars since incorporation and until September 30, 2019; in addition, the Company carries no interest-bearing debt. As such, the Company has minimal market risks facing it at present.

### **9. Capital management**

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the identification, evaluation and completion of a QT and continue as a going concern. The Company considers capital to be all accounts in equity. 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. Additional funds may be required to finance the Company's QT. In accordance with Policy 2.4 of the Exchange, the proceeds raised from the sale of securities may only be used to identify and evaluate assets or businesses, and obtain shareholder approval for a QT,

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with the exception that up to the lesser of 30% of the gross proceeds realized by the Company in respect of the sale of its securities, or \$210,000, may be used for purposes other than such identification and evaluation of businesses or assets. These restrictions apply until completion of a QT by the Company as defined under Policy 2.4 of the Exchange. The Company is required to complete its QT on or before two years from the date the Company receives regulatory approval to list its shares on the Exchange.

### **10. Subsequent events**

On October 11, 2019, Fusion has entered into a binding scheme implementation agreement dated October 11, 2019 (the "Definitive Agreement") with Battery and a support agreement also dated October 11, 2019 with Weston (the "Support Agreement"), all further to the previously announced binding letter of intent between Battery and Fusion as described in note 1.

The Definitive Agreement and Support Agreement detail a number of changes as compared to the proposed Transaction set forth in binding Letter Agreement described in note 1. These changes include the following:

- Weston will pay Fusion a fee of \$200,000 in the event the Definitive Agreement is terminated for any reason, other than as a result of a termination by Battery for material breach of a covenant or representation and warranty of the Definitive Agreement by Fusion, with such obligation by Weston superseding the previously announced obligation of Battery to pay such a termination fee to Fusion in the amount of \$150,000;
- Battery proposes to complete a "best efforts" non-brokered private placement of at least 8,000,000 common shares of Battery, at a price of US\$0.50 per common share, for gross proceeds of at least US\$4,000,000, in lieu of the previously announced private placement of the same number of subscription receipts at US\$0.50 per subscription receipt.

Further details of the Definitive Agreement and the changes to the terms of the Letter Agreement can be seen in the Company's news release dated October 11, 2019 which can be found under the Company's profile on [sedar.com](http://sedar.com).