

Fusion Gold Ltd
(A Capital Pool Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
UNAUDITED

Three and nine months ended September 30, 2020 and 2019

FUSION GOLD LTD.

(CAPITAL POOL COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2020 AND DECEMBER 31, 2019

(Expressed in Canadian dollars - Unaudited)

	Note	September 30, 2020 \$	December 31, 2019 \$
ASSETS			
Cash		93,859	261,287
Accounts receivable		6,382	8,540
Total assets		100,241	269,827
LIABILITIES			
Current			
Accounts payable and accrued liabilities	6	12,092	43,737
Total liabilities		12,092	43,737
SHAREHOLDERS' EQUITY			
Share capital	4	320,477	320,477
Share-based payment and warrants reserve	4 & 5	21,891	21,891
Deficit		(254,219)	(116,278)
Total shareholders' equity		88,149	226,090
Total liabilities and shareholders' equity		100,241	269,827

Nature of Operations (Note 1)

Approved by the Board of Directors on November 30, 2020

"January Vandale"

*Director**"David De Witt"*

Director

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

FUSION GOLD LTD.

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CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(Expressed in Canadian dollars - Unaudited)

	Note	Three months ended September 30, 2020 \$	Three months ended September 30, 2019 \$	Nine months ended September 30, 2020 \$	Nine months ended September 30, 2019 \$
Operating and Administrative Expenses					
Listing and filing fees		800	200	7,300	7,924
Professional fees		3,035	79,302	102,941	82,081
Other general and administrative fees	6	13,769	9,474	27,700	29,311
Net loss and comprehensive loss for the period					
		17,604	88,976	137,941	119,316
Net loss per share					
Basic and diluted		0.01	0.04	0.07	0.06
Weighted average number of common shares outstanding (basic and diluted)					
	4	2,000,000	2,000,000	2,000,000	2,000,000

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(Expressed in Canadian dollars - Unaudited)

	Share capital (Number of shares – fully paid)	Share capital \$	Share-based payment and warrants reserve \$	Deficit \$	Total \$
Balance, December 31, 2018	6,200,000	320,477	21,891	(84,840)	257,528
Net loss for the period	-	-	-	(119,316)	(119,316)
Balance, September 30, 2019	6,200,000	320,477	21,891	(204,156)	138,212
Balance, December 31, 2019	6,200,000	320,477	21,891	(116,278)	226,090
Net loss for the period	-	-	-	(137,941)	(137,941)
Balance, September 30, 2020	6,200,000	320,477	21,891	(254,219)	88,149

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

FUSION GOLD LTD.

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CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(Expressed in Canadian dollars - Unaudited)

	Note	Three months ended September 30, 2020 \$	Three months ended September 30, 2019 \$	Nine months ended September 30, 2020 \$	Nine months ended September 30, 2019 \$
Cash flows provided by (used in)					
Operating Activities					
Net loss		(17,604)	(88,976)	(137,941)	(119,316)
Changes in non-cash working capital:					
Accounts payable and accrued liabilities	6	(5,994)	43,658	(31,645)	35,462
Accounts receivable		(479)	(4,189)	2,158	(3,442)
		(6,473)	39,469	(29,487)	32,020
Cash (used in) provided by operating activities		(24,077)	(49,507)	(167,428)	(87,296)
Financing Activities					
Repayment of shareholder loan		-	(40,000)	-	(40,000)
Increase (decrease) in cash for the period		(24,077)	(89,507)	(167,428)	(127,296)
Cash - beginning of period		117,936	268,014	261,287	305,803
Cash - end of period		93,859	178,507	93,859	178,507

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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. Fusion has one fully-owned subsidiary, 1234525 B.C. Ltd; this subsidiary was incorporated on December 19, 2019. 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 or suspend 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 4). The Company's shares commenced trading on the Exchange on September 25, 2018 under the symbol FML.P.

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

On August 30, 2019, Fusion entered into a binding Letter Agreement with Battery Mineral Resources Limited. ("Battery Limited"), which sets out the principal terms upon which Fusion would acquire all of the issued and outstanding securities of Battery Limited. On October 11, 2019, Fusion entered into a binding scheme implementation agreement ("the Definitive Agreement") with Battery Limited and a support agreement also dated October 11, 2019 with Weston Energy LLC ("Weston") (the "Support Agreement"), all further to the previously announced binding Letter Agreement between Battery and Fusion dated August 30, 2019.

On December 9, 2019, Fusion announced that it had terminated its previously announced Definitive Agreement dated October 11, 2019 with Battery Limited and the Support Agreement also dated October 11, 2019 with Weston and, as a result, had received an expense reimbursement fee of \$150,000. The Definitive Agreement was terminated as a result of Battery Limited commencing a voluntary administration process under the Corporations Act, 2001 (Cth) (Australia). The assets of Battery Limited have now been acquired by Battery Mineral Resources Corp. ("New Battery"), a new entity incorporated under the laws of British Columbia by Weston. Further to the termination of the Definitive Agreement, New Battery, Weston and Fusion has entered into a new letter agreement dated December 5, 2019 in respect of a transaction substantially similar to that contemplated by the Definitive Agreement.

New Battery will carry on the same business as that previously carried on by Battery Limited, namely, the exploration and development of cobalt prospects in Canada, as well as other minerals critical to the lithium-ion battery market and energy storage sector.

On December 24, 2019, Fusion announced that it had entered into a definitive amalgamation agreement dated December 23, 2019 with Battery Mineral Resources Corp ("New Battery"), 1234525 B.C. Ltd., a newly incorporated wholly-owned subsidiary of Fusion ("Fusion Subco"), and Weston Energy LLC ("Weston"). This agreement was amended on March 25, 2020, again on May 14, 2020 and a further time on August 31, 2020; together the definitive amalgamation agreement and the amendments are referred to hereinafter as the "New Definitive Agreement".

Pursuant to the New Definitive Agreement, Fusion will acquire all of the issued and outstanding securities of New Battery, by way a three cornered amalgamation under the British Columbia Business Corporations Act pursuant to which New

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Battery and Fusion Subco will amalgamate, shareholders of New Battery will exchange their shares of New Battery for shares of Fusion on a one-for-one basis (on a post-Consolidation basis (as defined below)) and New Battery will become a wholly-owned subsidiary of Fusion (together with the related transactions and corporate procedures set out in the New Definitive Agreement, the "Transaction").

In connection with the Transaction, Fusion intends to consolidate its common shares on a 2:1 basis (the "Consolidation"). In addition, on closing of the Transaction, Fusion will change its name to "Battery Mineral Resources Inc." or such other similar name as New Battery may direct and which is acceptable to the Exchange and other applicable regulatory authorities.

Fusion and New 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, after giving effect to the completion of the Transaction (the "Resulting Issuer"), will carry on the mineral exploration business to be conducted by New Battery (and previously conducted by Battery Limited).

Completion of the Transaction is subject to the satisfaction of certain conditions set forth in the New Definitive Agreement, including but not limited to: (i) receipt of all requisite regulatory approvals, orders, notices and consents to implement the Transaction including those of the Exchange; (ii) no material change occurring to the business of any of the parties; (iii) completion of the Concurrent Financing (as defined below); (iv) approval, by special resolution, of the shareholders of New Battery (v) Fusion having affected the name change referred to above and the Consolidation; (vi) completion of satisfactory due diligence by Fusion within a 30 day period from the date of the New Definitive Agreement (vii) the satisfaction of obligations under the New Definitive Agreement relating to each of the parties; (viii) the delivery by each of the parties of customary closing documents; and (viii) completion of the Transaction on or before December 31, 2020.

In connection with the Transaction, New Battery proposes to complete a "best efforts" private placement of: (i) flow-through common shares of New Battery at a price of not less than \$0.95 per share; and (ii) common shares of New Battery at a price of not less than \$0.65 per share, to raise aggregate gross proceeds of at least \$4 million. Shares issued under the private placement which shall be immediately exchanged for one post-Consolidation common share of Fusion upon closing of the Transaction (together, the "Concurrent Financing").

Fusion and New Battery expect that the net proceeds of the Concurrent Financing will be used by the Resulting Issuer for continued mineral exploration activities across its mineral properties, including drilling and resource development and general operating expenses. Finders' fees or commissions in cash or securities may be paid in connection with the Concurrent Financing.

In the event the Transaction is not consummated for any reason other than as a result of Fusion exercising its right to terminate the New Definitive Agreement as a result of its due diligence review of New Battery, or the failure of Fusion to fulfil a material condition or obligation under the New Definitive Agreement, New Battery has agreed to pay, or cause to be paid, to Fusion, \$350,000, as an expense reimbursement. The obligations of New Battery in the New Definitive Agreement are guaranteed by Weston.

Concurrently with execution and delivery of the New Definitive Agreement, Weston has entered into share purchase agreements (the "Share Purchase Agreements") with David DeWitt and January Vandale (together, the "Fusion Vendors"). Under the Share Purchase Agreements, Fusion Vendors 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.

Pursuant to the Transaction, Fusion will issue to shareholders of New Battery (including those acquiring securities in the Concurrent Financing) up to an aggregate of 100 million common shares of Fusion. Upon completion of the Transaction, and after giving effect to the Consolidation, the Share Purchase Agreements, and the Concurrent Financing, there will be an aggregate of approximately 100 million common shares of the Resulting Issuer issued and outstanding and an additional 75,000 stock options and 100,000 common share purchase warrants (in each case on a post-Consolidation basis).

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Going Concern

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months. Realization values may be substantially different from carrying values as shown and these condensed consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material. At September 30, 2020, the Company had not yet achieved profitable operations, had an accumulated deficit of \$254,219 (December 31, 2019 - \$116,278) since inception, and expects to incur further losses in the development of its business, all of which indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. Further, during Q1 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organisation. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the proposed Transaction with New Battery are not known at the time of preparing these financial statements. Specifically, the pandemic may impact the ability of New Battery to raise the financing to be able to continue its exploration program. To the extent that the Transaction is negatively impacted, this may impact the Company's ability to complete the Transaction and may require Fusion to raise additional funds. The Company's ability to continue as a going concern is dependent upon its ability to complete a QT and have sufficient funds to do so (Note 7(b)).

2. Basis of presentation and significant accounting policies

Statement of Compliance

These condensed consolidated 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 consolidated 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, 2019.

The accounting policies followed in these condensed consolidated 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, 2019.

Basis of Presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for any financial assets and liabilities held at fair value. Additionally, these condensed consolidated interim financial statements are prepared using the accruals basis of accounting, except for cash-flow information. The condensed consolidated interim financial statements are presented in Canadian Dollars, which is also the Company's functional currency.

Principles of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary. The results of the subsidiary will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. As at September 30, 2020 and December 31, 2019, the Company owned 100% of a subsidiary incorporated in British Columbia on December 19, 2019, 1234525 B.C. Ltd.

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated upon consolidation.

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Changes in accounting standards

There are currently no proposed changes to accounting standards which will have a significant impact on the Company's financial statements.

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 consolidated 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 included in these condensed consolidated interim financial statements are as follows:

Judgments

The measurement of deferred income tax assets and liabilities.

The evaluation of the Corporation's ability to continue as a going concern (Note 1).

Estimations

The fair value of share-based compensation.

The fair value of warrant compensation.

4. 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 5).

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, the shares of the Company may become suspended or de-listed (Note 1). In the event the shares become delisted, the 4,200,000 shares issued to directors and officers at \$0.05 per share would 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.

As at September 30, 2020 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

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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 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 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 (no stock option expense was recognized in 2020 or 2019).

As at September 30, 2020, all 150,000 options remain outstanding and exercisable and have a remaining life of 2.98 years.

5. 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 total value of the warrants of \$10,617 was recorded as a share issuance cost in the year ended December 31, 2018 (no expense was recorded in 2020 or 2019).

All warrants expired September 21, 2020 and there were no warrants outstanding as at September 30, 2020.

6. 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.

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, 2020, Fusion paid Pathway \$6,165 and \$12,499 respectively (inclusive of expense reimbursements) (2019 - \$6,768 and \$21,328) and in addition as at September 30, 2020 had accrued \$10,846 (inclusive of expense reimbursements) (December 31, 2019 - \$4,000) 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, 2020 Fusion has an accounts payable balance of \$10,846 (inclusive of expense reimbursements) owing to Pathway (December 31, 2019 - \$4,200).

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, 2020 or 2019.

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7. Financial Instruments

As at September 30, 2020, 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

As at September 30, 2020, 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 believes it will have sufficient funds on hand to meet administrative and legal costs associated with the completion of the Transaction with New Battery, but should it not have then it will be dependent on future support of shareholders through public equity offerings. Further, the impact of COVID-19 on the Company is as yet unknown but may negatively impact the Company's ability to complete the Transaction or raise additional financing if needed (Note 1). At September 30, 2020, 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, 2020; in addition, the Company carries no debt beyond accounts payable and accrued liabilities. As such, the Company has minimal market risks facing it at present.

8. 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, 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.