

Interim Condensed Consolidated Financial Statements of



(Formerly Duckworth Capital Corp.)

September 30, 2019

(Unaudited - Prepared in Canadian dollars)

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GOLDSPOT DISCOVERIES CORP.

(Formerly Duckworth Capital Corp.)

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2019

(Unaudited - Prepared in Canadian dollars)

Notice to reader pursuant to National Instrument 51-102 – Continuous Disclosure Obligations

Under National Instrument 51-102 – Continuous Disclosure Obligations, if an auditor has not performed a review of a reporting issuer's interim financial statements, the financial statements must be accompanied by a notice indicating that they have not been reviewed by an auditor.

The Company's independent auditor has not performed a review of these interim condensed consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

GOLDSPOT DISCOVERIES CORP.
(Formerly Duckworth Capital Corp.)
Consolidated Statements of Financial Position
As at September 30, 2019 and December 31, 2018
(Unaudited - Prepared in Canadian dollars)

	<u>Notes</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Assets			
Current			
Cash and cash equivalents		\$ 5,552,382	\$ 1,367,966
Accounts receivable	6, 14(d)	219,681	497,600
Investments, at fair value	5	2,817,625	155,000
Sales tax recoverable		96,373	204,321
Prepays		267,005	142,942
		<u>8,953,066</u>	<u>2,367,829</u>
Intangible assets	7	-	334,015
Property, plant and equipment	8	363,402	53,123
		<u>\$ 9,316,468</u>	<u>\$ 2,754,967</u>
Liabilities and Equity			
Current			
Accounts payable and accrued liabilities		\$ 246,080	\$ 639,818
Deferred revenue		817,111	33,100
Lease liability		84,766	-
		<u>1,147,957</u>	<u>672,918</u>
Non-current lease liability		<u>235,129</u>	<u>-</u>
		<u>1,383,086</u>	<u>672,918</u>
Equity			
Share capital	10	12,978,924	3,683,380
Contributed surplus		722,387	224,267
Warrants	10(g)	203,380	-
Deficit		<u>(5,971,309)</u>	<u>(1,825,598)</u>
		<u>7,933,382</u>	<u>2,082,049</u>
		<u>\$ 9,316,468</u>	<u>\$ 2,754,967</u>

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

GOLDSPOT DISCOVERIES CORP.

(Formerly Duckworth Capital Corp.)

Consolidated Statements of Loss and Comprehensive Loss**Three And Nine Months Ended September 30,****(Unaudited - Prepared in Canadian dollars)**

		<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>Notes</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenue					
Consulting income	9(e)	\$ 750,911	\$ 104,944	\$ 1,665,384	\$ 703,744
Net change in unrealized gains (losses) on investments		(13,625)	-	332,625	-
Other income		19,220	-	141,561	-
		<u>756,506</u>	<u>104,944</u>	<u>2,139,570</u>	<u>703,744</u>
Expenses					
Operating, general and administrative	12	1,186,885	389,231	5,343,678	1,464,350
Impairment of intangible assets	7	927,378	-	927,378	-
Finance expenses		4,496	-	14,225	-
		<u>2,118,759</u>	<u>389,231</u>	<u>6,285,281</u>	<u>1,464,350</u>
Loss before income taxes		(1,362,253)	(284,287)	(4,145,711)	(760,606)
Income tax expense		-	-	-	-
Net loss and comprehensive loss for the period		\$ (1,362,253)	\$ (284,287)	\$ (4,145,711)	\$ (760,606)
Loss per common share for the period					
Basic and diluted		<u>\$ (0.01)</u>	<u>\$ (0.00)</u>	<u>\$ (0.05)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding					
Basic and diluted		94,644,874	69,475,390	91,478,191	67,309,846

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GOLDSPOT DISCOVERIES CORP.
(Formerly Duckworth Capital Corp.)
Consolidated Statements of Changes in Equity
Nine Months Ended September 30,
(Unaudited - Prepared in Canadian dollars)

	Notes	Number of shares	Share capital	Contributed surplus	Warrants	Deficit	Total equity
Balance at December 31, 2017		62,914,107	\$ 2,103,869	\$ -	\$ -	\$ (534,793)	\$ 1,569,076
Net loss and comprehensive loss for the period		-	-	-	-	(760,606)	(760,606)
Issued pursuant to services		103,832	18,511	-	-	-	18,511
Issued pursuant to private placements	10(c)	6,457,451	1,561,000	-	-	-	1,561,000
Stock-based compensation expense	10(f)	-	-	216,726	-	-	216,726
Balance at September 30, 2018		69,475,390	\$ 3,683,380	\$ 216,726	\$ -	\$ (1,295,399)	\$ 2,604,707
Balance at December 31, 2018		69,475,390	\$ 3,683,380	\$ 224,267	\$ -	\$ (1,825,598)	\$ 2,082,049
Net loss and comprehensive loss for the period		-	-	-	-	(4,145,711)	(4,145,711)
Reverse acquisition		6,025,000	2,410,000	-	44,000	-	2,454,000
Issued pursuant to private placements, net	10(e)	18,901,017	6,752,174	-	203,380	-	6,955,554
Issued pursuant to settlement of debt	10(e)	124,970	50,000	-	-	-	50,000
Issued pursuant to exercise of warrants		198,499	83,370	-	(43,670)	-	39,700
Reallocation of expired warrants		-	-	330	(330)	-	-
Stock-based compensation expense	10(f)	-	-	497,790	-	-	497,790
Balance at September 30, 2019		94,724,876	\$ 12,978,924	\$ 722,387	\$ 203,380	\$ (5,971,309)	\$ 7,933,382

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

GOLDSPOT DISCOVERIES CORP.
(Formerly Duckworth Capital Corp.)
Consolidated Statements of Cash Flows
Nine Months Ended September 30,
(Unaudited - Prepared in Canadian dollars)

	<u>2019</u>	<u>2018</u>
Cash flows used in operating activities		
Net loss for the period	\$ (4,145,711)	\$ (760,606)
Items not affecting cash		
Net change in unrealized gains on investments	(332,625)	-
Issuance of shares for services	-	18,511
Listing expense on reverse acquisition	1,931,983	-
Issuance of shares pursuant to settlement of debt	50,000	-
Gain on sale of exploration and evaluation assets	(100,000)	-
Stock-based compensation expense	497,790	216,726
Amortization	56,035	5,525
Impairment of intangible assets	927,378	-
Finance expense	14,225	-
	<u>(1,100,925)</u>	<u>(519,844)</u>
Changes in non-cash working capital balances		
Decrease (increase) in accounts receivable	277,919	(63,795)
Decrease (increase) in sales tax recoverable	107,948	(64,142)
Increase in prepaids	(124,063)	(166,987)
Decrease in accounts payable and accrued liabilities	(403,580)	(34,624)
Increase in deferred revenue	784,011	-
	<u>(458,690)</u>	<u>(849,392)</u>
Cash flows from financing activities		
Proceeds pursuant to private placement financings, net	6,955,554	1,561,000
Proceeds pursuant to exercise of warrants	39,700	-
Principal payments of lease liabilities	(73,400)	-
	<u>6,921,854</u>	<u>1,561,000</u>
Cash flows used in investing activities		
Cash acquired on reverse acquisition	531,859	-
Purchases of investments	(2,330,000)	(1,600)
Purchases of property, plant and equipment	(11,544)	(55,146)
Proceeds on sale of exploration and evaluation assets	100,000	-
Expenditures on intangible assets	(569,063)	(148,137)
	<u>(2,278,748)</u>	<u>(204,883)</u>
Net increase in cash and cash equivalents during the period	4,184,416	506,725
Cash and cash equivalents, beginning of period	1,367,966	1,428,323
Cash and cash equivalents, end of period	\$ 5,552,382	\$ 1,935,048

Supplemental cash flow information (note 15)

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

GOLDSPOT DISCOVERIES CORP.

(Formerly Duckworth Capital Corp.)

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September 30, 2019

(Unaudited – Prepared in Canadian dollars)

1. Nature of business:

GoldSpot Discoveries Corp. (formerly Duckworth Capital Corp.) ("GoldSpot" or the "Company") was incorporated under the *Canada Business Corporations Act* on May 1, 2017. On February 8, 2019, the Company completed a transaction with GoldSpot Discoveries Inc. ("GDI"), a private company continued under the *Business Corporations Act* (Ontario), which constituted a reverse takeover by GDI and changed its name to "GoldSpot Discoveries Corp." (Note 4). Because GDI is considered to be the acquirer, these interim condensed consolidated financial statements are a continuation of the financial statements of GDI, adjusted to reflect the legal capital of the Company. On February 21, 2019, the Company commenced trading on the TSX Venture Exchange ("TSXV") under the symbol "SPOT". The Company's head office is at 69 Yonge Street, Suite 1010, Toronto, ON, M5E 1K3.

GoldSpot is a technology company that leverages machine learning to reduce capital risk, while working to increase efficiencies and success rates in resource exploration and investment. GoldSpot combines proprietary technology with traditional domain expertise, offering a front-to-back service solution to its partners. GoldSpot's solutions target big data problems, making full use of historically unutilized data to better comprehend resource property potential. The Company has developed a monetization strategy into multiple verticals of the mining and investment industry, including service offerings, staking and royalty acquisition, and the development of its own artificial-intelligence-driven trading platform.

These interim condensed consolidated financial statements ("interim financial statements") were approved for issuance by the Company's board of directors on November 27, 2019.

2. Basis of preparation:

(a) Statement of compliance:

These interim financial statements are unaudited and have been prepared on a condensed basis in accordance with International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee using accounting policies consistent with International Financial Reporting Standards ("IFRS").

These interim financial statements as at and for the three and nine months ended September 30, 2019 should be read together with the annual financial statements as at and for the year ended May 31, 2018 for Duckworth Capital Corp and the annual financial statements as at and for the year ended December 31, 2018 for GDI. The same accounting policies and methods of computation were followed in the preparation of these interim financial statements as were followed in the preparation of and as described in Note 3. The Company adopted new accounting policies on January 1, 2019 which are as follows.

GOLDSPOT DISCOVERIES CORP.

(Formerly Duckworth Capital Corp.)

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2019

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2. Basis of preparation (continued):

The Company has initially adopted IFRIC - *Interpretation 23 Uncertainty over Income Tax Treatments* and IFRS 16, *Leases* ("IFRS 16") on January 1, 2019.

(i) IFRIC - *Interpretation 23 Uncertainty over Income Tax Treatments*

IFRIC *Interpretation 23 Uncertainty over Income Tax Treatments* provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

- An entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- An entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount of expected value, depending on whichever method better predicts the resolution of the uncertainty.

The adoption of IFRIC - *Interpretation 23 Uncertainty over Income Tax Treatments* did not have a material impact on the Company's consolidated financial statements.

(ii) IFRS 16, *Leases*

IFRS 16 was issued in January 2016 replacing the previous lease standard, International Accounting Standards ("IAS") 17, *Leases*, and related interpretations. The new standard requires lessees to recognize right-of-use assets and lease liabilities for most leases and recognize the associated expenses to depreciation and interest expense, respectively.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17, *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Company used the following exemptions:

- the election is being taken to not reassess whether a contract is or contains a lease at the date of initial application, and instead to only apply IFRS 16 to contracts that were in the scope of IAS 17;
- the election is being taken to apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the election is being taken to rely on the IAS 37 assessment of whether leases are onerous instead of performing an impairment review;
- the election is being taken to exclude leases for which the term ends within 12 months from January 1, 2019. The Company recognizes the lease payments associated with these leases as an operating expense on a straight-line basis over the lease term;

GOLDSPOT DISCOVERIES CORP.**(Formerly Duckworth Capital Corp.)****Notes to the Interim Condensed Consolidated Financial Statements****September 30, 2019****(Unaudited – Prepared in Canadian dollars)**

2. Basis of preparation (continued):

- the election is being taken, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Company presents right-of-use assets in 'Property, plant and equipment' and lease liabilities in 'Lease liability' in the statement of financial position. Property, plant and equipment include furniture and fixtures, computer equipment, and right-of-use assets.

The following table reconciles the aggregate future minimum lease payments pertaining to continuing operations as disclosed in Note 15 of the annual financial statements of GDI.

Future minimum annual lease as at December 31, 2018	\$	385,500
Lease payments adjusted		39,100
Gross lease liabilities as at January 1, 2019		424,600
Discount at weighted average rate of 5.36%		(45,530)
Net lease liabilities as at January 1, 2019	\$	379,070
Principal payments of lease liabilities		(73,400)
Finance expense		14,225
Net lease liabilities as at September 30, 2019	\$	319,895

During the nine months ended September 30, 2019, the Company recorded \$14,225 in finance expenses related to lease liabilities.

The following table shows the right of use assets balance on transition to IFRS 16 and amortization recorded during the period (see also Note 8).

Right of use assets as at January 1, 2019	\$	379,070
Accumulated amortization		(68,233)
Right of use assets as at September 30, 2019	\$	310,837

(b) Basis of presentation:

These interim financial statements have been prepared using the historical cost convention except for certain financial instruments which have been measured at fair value. All monetary references expressed in these notes are references to Canadian dollar amounts ("\$\$").

(c) Basis of consolidation:

These interim financial statements include the financial statements of GoldSpot and its wholly-owned subsidiary, GoldSpot Holdings Inc.

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2. Basis of preparation (continued):

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All inter-company account balances and transactions have been eliminated upon consolidation.

On July 24, 2019, GoldSpot Discoveries Corp completed a short-form amalgamation with GoldSpot Holdings Inc. There was no impact on the current financial results or for future periods as the entities were presented on a consolidated basis.

(d) Critical accounting judgments, estimates and assumptions:

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the interim financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods. The information about significant areas of estimation uncertainty considered by the Company preparing these interim financial statements are as follows:

(i) Impairment of financial assets:

Accounts receivable are reviewed for collectability on a monthly basis. Management is required to make judgment whether a receivable balance is collectable based on their relationship with the client and knowledge of the client's financial position. These judgments will affect the reported amounts of accounts receivable and bad debts expense.

(ii) Stock-based compensation expense:

The Company uses the Black-Scholes option pricing model to determine the fair value of options in order to calculate stock-based compensation expense. The Black-Scholes model involves six key inputs to determine fair value of an option: risk-free interest rate, exercise price, market price at the date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company's control. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of stock-based compensation expense. Refer to Note 10(f) for further details.

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2. Basis of preparation (continued):

(iii) Shares issued for services:

From time to time, the Company issues common shares for services or non-cash assets. The Company's board of directors determines the fair market value of the services or non-cash assets received in exchange for the common shares. Usually, this transaction is based on the fair market value of the shares. However, when the fair market value of the shares cannot be determined, the fair market value of the assets or services received is estimated.

(iv) Fair value of investments in securities not quoted in an active market:

Where the fair values of financial assets and financial liabilities recorded on the consolidated statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. Changes in estimates and assumptions about these inputs could affect the reported fair value. Refer to Note 5 for further details.

(v) Fair value of financial derivatives:

The Company measures financial instruments, such as warrants, at fair value at each consolidated statement of financial position date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. Investments in warrants that are not traded on a recognized securities exchange do not have a readily available market value. When there are sufficient and reliable observable market inputs, an option pricing model is used; if no such market inputs are available, the warrants and options are valued using alternative methods representing fair value. Changes in estimates and assumptions about these inputs could affect the reported fair value. Refer to Note 5 for further details.

(vi) Progress towards satisfaction of performance obligations:

Revenue is recognized on service contracts based on the proportion of the number of labour hours incurred as a proportion of the total labour hours required to complete the contract. Management is required to make an estimate of the total number of labour hours required to complete the contract. These estimates will affect the reported amounts of revenue and deferred revenue.

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(Unaudited – Prepared in Canadian dollars)

2. Basis of preparation (continued):

(vii) Warrants:

The Company uses the Black-Scholes option pricing model to calculate the value of warrants issued as part of the Company's private placements. The Black-Scholes model requires six key inputs to determine a value for a warrant: risk free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life and expected volatility. Certain of the inputs are estimates which involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. For example, a longer expected life of the warrant or a higher volatility number used would result in an increase in the warrant value. Refer to Note 10(e,g) for further details.

The information about significant areas of judgment considered by management in preparing these financial statements are as follows:

(i) Deferred tax assets:

Deferred tax assets are recognized in respect of tax losses and other temporary differences to the extent it is probable that taxable income will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future tax planning strategies.

(ii) Useful lives and impairment of long-lived assets:

Management determines the useful lives of long-lived assets and performs an assessment to determine if any indicators of impairment exist on an annual basis. The determination of these factors are estimates which require management to exercise judgment in assessing the future use of an asset, its physical condition, technical innovations which may impact their use, changes in market conditions, or the economic and legal environments among other factors. These judgments will affect the reported amounts of amortization expense, impairment expense, and the reported values of the assets.

3. Summary of significant accounting policies:

The significant accounting policies used in the preparation of these interim financial statements are set out below. These policies have been consistently applied to the periods presented.

(a) Foreign currency:

(i) Functional currency:

These financial statements are presented in Canadian dollars which is the functional currency.

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Notes to the Interim Condensed Consolidated Financial Statements

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(Unaudited – Prepared in Canadian dollars)

3. Significant accounting policies (continued):

(ii) Transactions and balances:

Transactions in foreign currencies are initially recorded in the functional currency at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange in effect at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. All exchange differences are recorded in the profit and loss for the year.

(b) Financial instruments:

(i) Classification:

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the consolidated statements of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the consolidated statement of loss and comprehensive loss for the year. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

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3. Significant accounting policies (continued):

The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument:

Classification	IFRS 9
Cash and cash equivalents	FVTPL
Accounts receivables	Amortized Cost
Investments, at fair value	FVTPL
Sales tax recoverable	Amortized Cost
Accounts payable and accrued liabilities	Amortized Cost
Current and long-term lease liability	Amortized Cost

(ii) Recognition, de-recognition and measurement:

Purchases and sales of investments are recognized on the settlement date.

Investments at fair value through profit or loss are initially recognized at fair value where reliable basis for determination exists. Transaction costs are expensed as incurred in the consolidated statement of income and comprehensive income.

Investments are derecognized when the rights to receive cash flows from the investments have expired or the Company has transferred the financial asset and the transfer qualifies for derecognition in accordance with IFRS 9, *Financial Instruments* ("IFRS 9") (2018).

Subsequent to initial recognition, all investments are measured at fair value. Gains and losses arising from changes in the fair value of the investments at fair value through profit or loss category are presented in the consolidated statement of income and comprehensive income within net change in unrealized gains or losses on investments in the period in which they arise.

All other financial assets (liabilities) are designated as at fair value through profit or loss. All financial assets (liabilities) are recognized initially at fair value plus, in the case of financial assets (liabilities) classified as subsequently measured at amortized cost, directly attributable transaction costs.

Financial assets (liabilities) at amortized cost are measured at initial cost plus interest calculated using the effective interest rate method less cumulative repayments and cumulative impairment losses. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period.

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3. Significant accounting policies (continued):

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred substantially all the risks and rewards of the asset. The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. For amounts deemed to be impaired, the impairment provision is based upon the expected loss.

(iii) Reclassification:

The Company would only reclassify a financial asset when the Company changes its business model for managing the financial asset. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new carrying value.

(iv) Determination of fair value:

The determination of fair value requires judgment and is based on market information, where available and appropriate. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such valuations in the consolidated financial statements.

The Company is also required to disclose details of its investments (and other financial assets and liabilities reported at fair value) within three hierarchy levels (Level 1, 2, or 3) based on the transparency of inputs used in measuring the fair value, and to provide additional disclosure in connection therewith.

1. Publicly-traded investments:

- a. Securities, including shares, options, and warrants that are traded in an active market (such as on a recognized securities exchange) and for which no sales restrictions apply are presented at fair value based on quoted closing trade prices at the consolidated statements of financial position date or the closing trade price on the last day the security traded if there were no trades at the consolidated statements of financial position date. These investments are included in Level 1.
- b. Securities that are traded on a recognized securities exchange but which are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value to a maximum of 10%. In determining the discount for such investments, the Company considers the nature and length of the restriction. These investments are included in Level 2.

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3. Significant accounting policies (continued):

- c. For options and warrants that are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, an option pricing model is used; if no such market inputs are available, the warrants and options are valued using alternative methods representing fair value. These investments are included in Level 2.

2. Private company investments:

All privately-held investments (other than options and warrants) are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, at each reporting period, the fair value of an investment may, depending upon the circumstances, be adjusted using one or more of the valuation indicators. These investments would be included in Level 3 in Note 5.

(v) Offsetting of financial instruments:

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(c) Non-monetary transactions:

Transactions in which shares or other non-cash consideration are exchanged for assets or services are valued at the fair value of the assets or services involved.

(d) Revenue recognition:

Revenue is earned by providing consulting services to mining and exploration companies by utilizing machine learning to target exploration on a regional and localized scale. Revenue is recognized as the Company satisfies performance obligations over time and is measured at the fair value of consideration received or receivable for the rendering of services. The Company estimates progress towards complete satisfaction of a performance obligation satisfied over time utilizing the input method of labour hours incurred.

Revenue is recognized based on the number of labour hours incurred at the statement of financial position date as a proportion of the total labour hours required to complete the contract.

There may be differences between the timing of billings and the number of labour hours incurred at a point in time. Where revenue recognized exceeds the amounts billed to customers, the difference is recorded as revenue. Where amounts billed to customers exceed revenue recognized, the difference is recorded as deferred revenue.

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3. Significant accounting policies (continued):

Purchases and sales of investments are recognized on the settlement date. Realized gains and losses on disposal of investments and unrealized gains and losses in the value of investments are reflected in the statement of loss and comprehensive loss. Upon disposal of an investment, previously recognized unrealized gains or losses are reversed so as to recognize the full realized gain or loss in the period of disposition. All transaction costs associated with the acquisition and disposition of investments are expensed to the statement of loss and comprehensive loss as incurred.

(e) Income taxes:

(i) Current income tax:

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts and the intention is to settle on a net basis, or to realize the asset and settle the liability simultaneously. Current income tax relating to items recognized directly in equity is recognized in equity and not through profit or loss.

(ii) Deferred tax:

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that profit will be available against which the deductible temporary difference and the carry forward of unused tax credits and unused tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date. Deferred tax relating to items recognized directly in equity is also recognized in equity and not in the statement of loss and comprehensive loss.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient profit will be available to allow all or part of the deferred tax asset to be utilized.

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3. Significant accounting policies (continued):

Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future profit will allow the deferred tax asset to be recovered. The Company does not record deferred tax assets to the extent that it considers deductible temporary differences, the carry-forward of unused tax credits and unused tax losses cannot be utilized.

(f) Earnings (loss) per common share:

Basic earnings (loss) per common share is determined by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period.

Diluted earnings (loss) per common share is calculated in accordance with the treasury stock method and based on the weighted average number of common shares and dilutive common share equivalents outstanding. Instruments which would be anti-dilutive are not included in the calculation of the diluted loss per common share.

(g) Segment reporting:

Operating segments are reported in a manner consistent with the internal reporting used by management. The Company has a single reportable geographic segment in Canada.

(h) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand and short-term investments with remaining maturities of less than three months at the date of acquisition. Cash and cash equivalents include accrued interest on short-term investments.

(i) Intangible assets (research and development):

The Company incurs costs associated with the design and development of its artificial intelligence investment decision platform. Expenditures on research activities are recognized in comprehensive income (loss) as incurred. Expenditures during the development phase are capitalized if the Company can demonstrate each of the following criteria: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) its intention to complete the intangible asset and use or sell it; (iii) its ability to use or sell the intangible asset; (iv) how the intangible asset will generate probable future economic benefits; (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development. Otherwise, they are recognized in comprehensive income (loss) as incurred. Subsequent to initial recognition, capitalized development expenditures are measured at cost less accumulated amortization and any accumulated impairment losses. Amortization is provided at rates designed to amortize the cost of the assets over their estimated useful lives on a straight line basis which is expected to be 5 years.

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3. Significant accounting policies (continued):**(j) Property, plant and equipment:**

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is provided at rates designed to amortize the cost of the assets over their estimated useful lives as follows:

	Rate	Basis
Furniture and fixtures	20%	Declining balance
Computer equipment	30%	Declining balance
Right-of-use assets	5 years	Straight-line over term of lease

(k) Impairment of long-lived assets:

The carrying values of property, plant and equipment are assessed for impairment when indicators of such impairment exist, or when annual impairment testing for an asset is required. Long-lived assets are comprised of exploration and evaluation assets, intangible assets, and property, plant and equipment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use.

If the carrying amount of the asset exceeds its recoverable amount, the asset is deemed impaired and an impairment loss is charged to the statements of loss and comprehensive loss. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of loss and comprehensive loss.

4. Acquisition of GoldSpot Discoveries Inc.:

On June 18, 2018, Duckworth Capital Corp. ("Duckworth") had entered into an amalgamation agreement with GoldSpot Discoveries Inc. ("GDI"), an arm's length party, and 2639781 Ontario Inc., a wholly owned subsidiary of Duckworth ("Subco"), whereby Duckworth would acquire all of GDI's common shares.

On February 8, 2019, Duckworth completed the transaction with GDI. The transaction was completed by way of a statutory amalgamation whereby GDI amalgamated with Subco and all of the outstanding common shares of GDI were exchanged for common shares of Duckworth (the "Duckworth Shares") on the basis of 82.73481801 Duckworth Shares for each one GDI Share held (the "Transaction"). As a result, approximately 139,200,795 Duckworth Shares were issued to former GDI shareholders on a pre-consolidated basis and not including any Duckworth Shares, which on closing represented 93.6% of the total issued and outstanding shares. GDI's stock options and compensation options were exchanged for GoldSpot's on the basis of the same ratio as the common shares.

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4. Acquisition of GoldSpot Discoveries Inc. (continued):

The Transaction has been accounted for in accordance with IFRS 2, *Share-based payments*. The Transaction is considered to be a reverse takeover of Duckworth by GDI. A reverse takeover transaction involving a non-public operating entity and a non-operating public company is in substance a shared based payment transaction rather than a business combination. The Transaction is equivalent to the issuance of common shares by the non-public operating entity, GDI, for the net assets and the listing status of the non-operating public company, Duckworth. The fair value of the common shares issued was determined based on the fair value of the common shares issued by Duckworth. For financial reporting purposes, the Company is considered a continuation of GDI, the legal subsidiary. The Transaction was negotiated and completed at arm's length. The combined results of operations are included from February 8, 2019.

In connection with the Transaction, GDI changed its name to GoldSpot Holdings Inc., and Duckworth changed its name to GoldSpot Discoveries Corp. and consolidated all of the issued and outstanding Duckworth shares by exchanging two old Duckworth shares for one new Duckworth share. Upon completion of the consolidation, the 189,052,785 issued and outstanding Duckworth shares were consolidated into approximately 94,526,377 common shares. The Company commenced trading on the TSXV on February 21, 2019 under the symbol "SPOT".

On February 1, 2019, in connection with the reverse-takeover transaction, GDI completed a brokered private placement financing raising gross proceeds of \$7,561,794 through the issuance and sale of 456,906 subscription receipts (on a pre-exchange and pre-consolidation basis) at a price of \$16.55 per subscription receipt. As consideration for the services provided by the agents and certain other persons in connection with the offering: (i) the agents and certain other finders received \$524,944 in cash commissions; (ii) issuance of 3,021 subscription receipts as partial payment of agent fees; and (iii) the agents will receive 31,719 compensation options upon the closing of the transaction. Each compensation option shall be exercisable into one GDI share at an exercise price of \$16.55 per GDI share expiring on February 8, 2020. The subscription receipts and compensation options were exchanged on the same basis as the common shares of GDI for Duckworth shares.

At acquisition date on February 8, 2019, the transaction was recorded as follows:

Purchase Price	
Fair value of common shares	\$ 2,410,000
Fair value of broker warrants	44,000
Total purchase price	<u>2,454,000</u>
Net Assets Acquired	
Cash	531,859
Accounts payable and accrued liabilities	<u>(9,842)</u>
Net assets acquired	<u>522,017</u>
Listing expense	<u>\$ 1,931,983</u>

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4. Acquisition of GoldSpot Discoveries Inc. (continued):**Fair Value of Duckworth Shares**

Number of pre-consolidation Duckworth shares	12,050,000
Consolidation of Duckworth shares	2
Number of post-consolidation Duckworth shares	<u>6,025,000</u>
Share value as determined (\$16.55 per share on pre-exchange and pre-consolidation basis)	\$ 0.40
Value of GoldSpot shares that would have been issued to obtain the same ownership percentage	<u>\$ 2,410,000</u>

The outstanding Duckworth broker warrants were assigned a grant date value of \$44,000 as estimated by using the Black-Scholes valuation model with the following assumptions: exercise price of \$0.20, share price of \$0.40, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return of 1.77%, and an expected maturity of 0.54 years.

The excess of fair value of net assets assumed over purchase price is considered an expense of acquiring a public listing and as a result, the listing fee expense is \$1,931,983.

5. Investment, at fair value and financial instruments hierarchy:

(a) The fair value and cost of investments are as follows:

	Fair Value	Cost
September 30, 2019	\$ 2,817,625	\$ 2,406,600
December 31, 2018	\$ 155,000	\$ 76,600

(b) Financial instruments hierarchy:

The fair value measurements use a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The level in the hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The fair value hierarchy has the following levels:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- (ii) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- (iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

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5. Investments at fair value and financial instruments hierarchy (continued):

For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. Investments which are in Level 3 and become public issuers during the period are transferred to Level 1 or 2.

The following table presents the Company's investments, measured at fair value and categorized into levels of the fair value hierarchy on the consolidated statements of financial position as at September 30, 2019 and December 31, 2018:

Investments, at fair value	Level 1	Level 2	Level 3	Total
	Quoted market price	Valuation technique – observable market inputs	Valuation technique – non-observable market inputs	
September 30, 2019	\$ 253,750	\$ 1,658,875	\$ 905,000	\$ 2,817,625
December 31, 2018	\$ -	\$ -	\$ 155,000	\$ 155,000

The following table presents the changes in fair value measurements of financial instruments classified as Level 3 for the nine months ended September 30, 2019 and year ended December 31, 2018. These financial instruments are measured at fair value utilizing non-observable market inputs based on specific company information and general market conditions. The net change in unrealized gains are recognized in the statements of loss and comprehensive loss.

	Opening balance at January 1,	Purchases	Transfer to Level 1 or 2	Net unrealized gains	Ending balance
September 30, 2019	\$ 155,000	\$ 750,000	\$ -	\$ -	\$ 905,000
December 31, 2018	\$ -	\$ 76,600	\$ -	\$ 78,400	\$ 155,000

Significant unobservable inputs used in the fair value measurement of Level 3 investments were:

Description	Fair value at September 30, 2019	Valuation technique	Unobservable input	% of Investments	Sensitivity to changes in significant unobservable inputs (%)
Unlisted private equities	\$ 905,000	Grey market activity	Recent transaction price	32.1	Additional grey market activity
	\$ 905,000			32.1	

Description	Fair value at December 31, 2018	Valuation technique	Unobservable input	% of Investments	Sensitivity to changes in significant unobservable inputs (%)
Unlisted private equities	\$ 155,000	Grey market activity	Recent transaction price	100.0	Additional grey market activity
	\$ 155,000			100.0	

GOLDSPOT DISCOVERIES CORP.**(Formerly Duckworth Capital Corp.)****Notes to the Interim Condensed Consolidated Financial Statements****September 30, 2019****(Unaudited – Prepared in Canadian dollars)**

5. Investments at fair value and financial instruments hierarchy (continued):

For investments valued based on trends in comparable publicly traded companies, general market conditions and specific company information, the inputs used can be highly judgmental. A +/- 25% change on the fair value of this investment will result in a corresponding +/- \$226,250 (December 31, 2018 - \$38,750) change in the total fair value of the investments.

While this illustrates the overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different terms and circumstances. The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions, and its results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of this investment.

Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Company's view of expected future changes in the fair value of this investment. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

6. Financial assets and liabilities other than investments at fair value:

Financial assets and liabilities other than investments at fair value are as follows as at September 30, 2019 and December 31, 2018:

	September 30, 2019	December 31, 2018
Cash and cash equivalents	\$ 5,552,382	\$ 1,367,966
Accounts receivable	219,681	497,600
Sales tax receivable	96,373	204,321
Accounts payable and accrued liabilities	(246,080)	(639,818)
Current lease liability	(84,766)	-
Non-current lease liability	(235,129)	-
	\$ 5,302,461	\$ 1,430,069

The carrying values of cash and cash equivalents, accounts receivable, sales tax receivable, and accounts payable and accrued liabilities, current lease liability and non-current lease liability approximate their fair values due to the short term to maturity for these instruments. As at December 31, 2018, included in accounts receivable is unbilled revenue of \$37,500 which was invoiced subsequent to the year end.

GOLDSPOT DISCOVERIES CORP.**(Formerly Duckworth Capital Corp.)****Notes to the Interim Condensed Consolidated Financial Statements****September 30, 2019****(Unaudited – Prepared in Canadian dollars)**

7. Intangible assets:

As at September 30, 2019, the Company has costs of \$927,378 (December 31, 2018 - \$334,015) which were incurred directly in the development of Resource Quantamental, which is an internally generated intangible asset. Resource Quantamental is an artificial intelligence investment decision-making platform being developed by the Company, which makes use of various datasets to better comprehend resource property potential.

The Company has completed the development of Resource Quantamental to a minimum viable product but requires a significant amount of development work to create the product to the point of being commercial viable. The Company intends to defer the development of Resource Quantamental to preserve its cash resources until a future date. As at September 30, 2019, the Company does not meet the criteria under IAS 38 to capitalize the intangible assets and as a result, the Company has impaired the intangible assets to \$0 in the consolidated statements of loss and comprehensive loss.

8. Property, plant and equipment:

Property, plant and equipment are as follows as at September 30, 2019 and December 31, 2018:

Cost	Furniture and fixtures	Computer equipment	Right-of-use assets	Total
Balance – December 31, 2017	\$ -	\$ -	\$ -	\$ -
Additions	18,047	46,645	-	64,692
Disposals	-	-	-	-
Balance – December 31, 2018	18,047	46,645	-	64,692
Additions	-	11,544	379,070	390,614
Capitalized to intangible assets	-	-	(24,300)	(24,300)
Disposals	-	-	-	-
Balance – September 30, 2019	\$ 18,047	\$ 58,189	\$ 354,770	\$ 431,006

Accumulated Amortization	Furniture and fixtures	Computer equipment	Right-of-use assets	Total
Balance – December 31, 2017	\$ -	\$ -	\$ -	\$ -
Amortization	4,064	7,505	-	11,569
Disposals	-	-	-	-
Balance – December 31, 2018	4,064	7,505	-	11,569
Amortization	2,097	10,005	68,233	80,335
Capitalized to intangible assets	-	-	(24,300)	(24,300)
Disposals	-	-	-	-
Balance – September 30, 2019	\$ 6,161	\$ 17,510	\$ 43,933	\$ 67,604

Carrying Value	Furniture and fixtures	Computer equipment	Right-of-use assets	Total
Balance – December 31, 2018	\$ 13,983	\$ 39,140	\$ -	\$ 53,123
Balance – September 30, 2019	\$ 11,886	\$ 40,679	\$ 310,837	\$ 363,402

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9. Related party transactions:

All transactions with related parties have occurred in the normal course of operations.

- (a) Key management personnel are defined as those individuals having authority and responsibility for planning, directing, and controlling the activities of the Company. GoldSpot considers Denis Laviolette, its President and Chief Executive Officer (“CEO”), Binh Quach, its Chief Financial Officer (“CFO”), Vincent Dube-Bourgeois, its Chief Operating Officer (“COO”), and Cejay Kim, its Vice-President, Chief Business Officer (“VP”), to be its key management personnel.

Compensation of key management and directors are included in the statements of comprehensive loss as follows for the three and nine months ended September 30:

Type of expense	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Salaries and consulting fees	\$ 137,500	\$ 99,000	\$ 368,500	\$ 287,000
Directors fees	47,250	-	118,750	-
Stock-based compensation expense (b, c and 10(f))	67,283	7,145	283,909	108,363
	\$ 252,033	\$ 106,145	\$ 771,159	\$ 395,363

- (b) On March 18, 2019, the Company granted 2,200,000 options to directors of the Company, exercisable at \$0.40 per share, vesting annually over 3 years and expiring on March 18, 2022.
- (c) On February 1, 2018, the Company granted 1,861,533 options to directors and officers of the Company, exercisable at \$0.24 per share, vesting annually gradually over 5 years and expiring on February 1, 2025.
- (d) During the nine months ended September 30, 2019 and year ended December 31, 2018, the Company completed several share capital transactions as described in Note 10. The Company's CEO, CFO, COO, and VP subscribed for a total of 203,690 shares of the Company for gross proceeds of \$81,492 pursuant to the Company's private placement in February 2019. (Note 10(g))
- (e) During the nine months ended September 30, 2019, the Company recorded consulting revenue of \$121,500 (nine months ended September 30, 2018 -\$80,000) from New Found Gold Corp (“NFGC”), a private mineral exploration company. The Company also has investment in NFGC with a fair value of \$750,000. The Company's CEO is also the CEO of NFGC.

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10. Equity:

- (a) Authorized: unlimited number of common shares (no par value).

On February 8, 2019, in connection with the reverse takeover Transaction for which all outstanding GDI shares were exchanged on the basis of 82.73481801 Duckworth Shares for each one GDI Share held, the Company also filed articles of amendment to consolidate its issued and outstanding common shares on the basis of one new common share for every 2 existing common shares, and to change the name of the Company to GoldSpot Discoveries Corp. All figures and comparative figures reflect the exchange ratio with Duckworth shares and the stock consolidation, retroactively.

In addition, securities held by the directors, officers and 10% shareholders of the Company are subject to Tier 1 value escrow agreement as required by the TSXV. An aggregate of 31,718,948 post-consolidated common shares and 1,861,533 stock options of the Company shall be released in accordance with such escrow agreements as follows: 25% released on February 20, 2019; 25% released on August 20, 2019; 25% released on February 20, 2020; and 25% released on August 20, 2020.

Additionally, an aggregate of 13,984,013 post-consolidated common shares are subject to TSXV seed share resale restrictions consistent with the Tier 1 value escrow release schedule noted above, and an aggregate of 12,256,126 post-consolidated common shares are subject to TSXV seed share resale restrictions such that 20% is released on closing of the Transaction, and 20% released each month following the Transaction.

- (b) In July 2017, the Company entered into a consulting agreement with a researcher/developer which included the issuance of 51,916 shares of the Company to the consultant every three months beginning on October 14, 2017 and ending on July 14, 2022 as part of his compensation, for a total of 1,038,321 shares. On October 14, 2017, pursuant to the consulting agreement, the Company issued 51,916 common shares and recorded consulting fee expense at a value of \$0.02 per share, totaling \$1,255.

On January 14, 2018, pursuant to the consulting agreement, the Company issued the second tranche of 51,916 common shares and recorded consulting fee expense at a value of \$0.11 per share, totaling \$5,961.

On April 14, 2018, the Company issued the third tranche of 51,916 common shares and recorded consulting fee expense at a value of \$0.24 per share, totaling \$12,550. The consultant resigned on June 14, 2018 and as result, all future share issuances (882,573 shares) in accordance with the consulting agreement were cancelled. In addition, the 206,837 options granted to the consultant on February 1, 2018, with an exercise price of \$0.24 per share and expiring on February 1, 2025, have been cancelled.

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10. Equity (continued):

- (c) On March 28, 2018, the Company completed the first tranche of a non-brokered private placement financing raising total gross proceeds of \$1,186,000 through the issuance and sale of 4,906,174 shares at a price of \$0.24 per share. On April 12, 2018, the Company completed the final tranche of a non-brokered private placement financing raising total gross proceeds of \$375,000 through the issuance and sale of 1,551,277 shares at a price of \$0.24 per share.
- (d) In connection with the reverse-takeover Transaction, the Company issued 69,475,390 common shares to former shareholders of GDI. Note 4.
- (e) On February 1, 2019, in connection with the reverse-takeover transaction, the Company completed a brokered private placement financing raising gross proceeds of \$7,561,794 through the issuance and sale of 18,901,017 common shares at a price of \$0.40 per share (on a post-exchange and post consolidation basis).

As consideration for the services provided by the agents and certain other persons in connection with the offering: (i) the Company paid cash commissions and share issuance costs of \$606,240; (ii) issuance of 124,970 common shares totaling \$50,000 as partial payment of agent fees; and (iii) the agents receive 1,312,130 compensation options upon the closing of the transaction. Each compensation option shall be exercisable into one common share at an exercise price of \$0.40 per share expiring on February 8, 2020.

The compensation options were valued using the Black-Scholes option pricing model with the following assumptions: expected volatility of 100%; dividend yield of 0%; risk-free interest rate of 1.77%; and an expected life of 1.0 years. The expected volatility is based on the historical volatility of comparable companies over the life of the compensation options. The Company has not paid any cash dividends historically and has no plans to pay cash dividends in the foreseeable future. The risk-free interest rate is based on the yield of Canadian Benchmark Bonds with equivalent terms. The expected option life in years represents the period of time that the compensation options are expected to be outstanding. The value (net of share issuance costs) assigned to the compensation options was \$203,380.

- (f) Stock options:

The Company grants stock options to eligible directors, officers, key employees and consultants under its 2018 stock option plan to enable them to purchase common shares of the Company. Under the terms of the plan, the number of common shares that may be issued pursuant to the exercise of options granted under the plan may not exceed 10% of the number of common shares outstanding at the time of grant.

The exercise price of an option granted under the plan cannot be less than the closing price of the common shares on the last day on which the common shares trade prior to the grant date of the option. An individual can receive grants of no more than 5% of the outstanding shares of the Company on a yearly basis and options are exercisable over a period not exceeding five years.

GOLDSPOT DISCOVERIES CORP.**(Formerly Duckworth Capital Corp.)****Notes to the Interim Condensed Consolidated Financial Statements****September 30, 2019****(Unaudited – Prepared in Canadian dollars)**

10. Equity (continued):

Options granted are accounted for by the fair value method of accounting for stock-based compensation. The Company records compensation expense and credits contributed surplus for all options granted.

On March 18, 2019, the Company granted 3,681,000 stock options to directors, employees and consultants of the Company, exercisable at \$0.40 per share expiring on March 18, 2022. The stock options vest as: (i) 33.3% immediately; (ii) 33.3% on the first anniversary of the date of grant; and (iii) 33.3% on the second anniversary of the date of grant.

The fair value of the options granted on March 18, 2019 was estimated at the date of grant using the Black-Scholes option valuation model with the following assumptions:

Black-Scholes option valuation model assumptions used (weighted average)	
Expected volatility	100%
Expected dividend yield	0%
Risk-free interest rate	1.6%
Expected option life in years	3 years
Expected forfeiture rate	0%
Fair value per stock option granted on March 18, 2019	\$ 0.18

The expected volatility is based on the historical volatility of comparable companies over the life of the options. The Company has not paid any cash dividends historically and has no plans to pay cash dividends in the foreseeable future. The risk-free interest rate is based on the yield of Canadian Benchmark Bonds with equivalent terms. The expected option life in years represents the period of time that options granted are expected to be outstanding based on the vesting dates.

On February 1, 2018, the Company granted 3,929,903 stock options to officers and consultants of the Company, exercisable at \$0.24 per share expiring on February 1, 2025. The stock options granted vest at the rate of 10% at the end of the first year, 15% at the end of the second year, 20% at the end of the third year, 25% in the end of the fourth year and 30% at the end of the fifth year.

The fair value of the options granted on February 1, 2018 was estimated at the date of grant using the Black-Scholes option valuation model with the following assumptions:

Black-Scholes option valuation model assumptions used (weighted average)	
Expected volatility	100%
Expected dividend yield	0%
Risk-free interest rate	2.2%
Expected option life in years	5 years
Expected forfeiture rate	0%
Fair value per stock option granted on February 1, 2018	\$ 0.18

GOLDSPOT DISCOVERIES CORP.**(Formerly Duckworth Capital Corp.)****Notes to the Interim Condensed Consolidated Financial Statements****September 30, 2019****(Unaudited – Prepared in Canadian dollars)**

10. Equity (continued):

The expected volatility is based on the historical volatility of comparable companies over the life of the compensation options. The Company has not paid any cash dividends historically and has no plans to pay cash dividends in the foreseeable future. The risk-free interest rate is based on the yield of Canadian Benchmark Bonds with equivalent terms. The expected option life in years represents the period of time that options granted are expected to be outstanding based on the vesting dates.

For the nine months ended September 30, 2019, included in statements of loss and comprehensive loss is stock-based compensation expense of \$119,922 (three months ended September 30, 2018 - \$7,542) relating to the stock options granted to officers and consultants of the Company.

For the nine months ended September 30, 2019, included in statements of loss and comprehensive loss is stock-based compensation expense of \$497,790 (nine months ended September 30, 2018 - \$216,726) relating to the stock options granted to officers and consultants of the Company.

A summary of the status of the Company's stock options as at September 30, 2019 and December 31, 2018 and changes during the periods then ended is presented below:

	September 30, 2019		December 31, 2018	
		Weighted average		Weighted average
Stock options	# of options	exercise price	# of options	exercise price
Outstanding, at beginning of period	3,723,066	\$ 0.24	-	\$ -
Granted	3,681,000	0.40	3,929,903	0.24
Cancelled/forfeited	-	-	(206,837)	0.24
Outstanding, at end of period	7,404,066	\$ 0.32	3,723,066	\$ 0.24
Exercisable, at end of period	1,598,080	\$ 0.36	-	\$ -

The following table summarizes information about stock options outstanding and exercisable as at September 30, 2019:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
3,723,066	372,307	\$ 0.24	February 1, 2025
3,681,000	1,225,773	0.40	March 18, 2022
7,404,066	1,598,080		

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10. Equity (continued):

(g) Broker warrants/compensation options:

Broker warrants/ compensation options	September 30, 2019		December 31, 2018	
	# of warrants	Weighted average exercise price	# of warrants	Weighted average exercise price
Outstanding, at beginning of period	-	\$ -	-	\$ -
Issued	1,512,130	0.37	-	-
Exercised	(198,499)	0.20	-	-
Expired	(1,501)	0.20	-	-
Outstanding, at end of period	1,312,130	\$ 0.40	-	\$ -

The following table summarizes information about broker warrants/compensation options outstanding as at September 30, 2019:

Number of warrants	Exercise price	Expiry date	Warrant value (\$)
1,312,130	\$ 0.40	February 8, 2020	\$ 203,380
1,312,130			\$ 203,380

(h) Maximum share dilution:

The following table presents the maximum number of shares that would be outstanding if all outstanding convertible securities were exercised as at September 30, 2019 and December 31, 2018:

	September 30, 2019	December 31, 2018
Common shares outstanding	94,724,876	69,475,390
Stock options to purchase common shares	7,404,066	3,723,066
Broker warrants/compensation options to purchase common shares	1,312,130	-
Fully diluted common shares outstanding	103,441,072	73,198,456

11. Segmented information:

The management of the Company is responsible for the Company's sales and considers the business to have a single operating segment.

The Company has a single reportable geographic segment, Canada, and all of the Company's assets are located in Canada.

The internal reporting provided to management of the Company's assets, liabilities, and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS. There were no changes in the reportable segments during the nine months ended September 30, 2019.

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12. Expenses by nature:

Included in operating, general, and administrative expenses for the three and nine months ended September 30 are as follows:

	Note	Three months ended		Nine months ended	
		September 30,		September 30,	
		2019	2018	2019	2018
Salaries and consulting fees	9(a)	\$ 590,428	\$ 313,093	\$ 1,526,722	\$ 1,011,025
Stock-based compensation expense	10(f)	119,922	7,542	497,790	216,726
Shareholder relations and filing fees		95,583	-	347,496	11,694
Professional fees		110,160	4,400	269,269	14,055
Other office and general		71,398	20,609	160,629	42,575
Software licensing fees		29,209	25,030	154,230	79,117
Other employee benefits		55,000	-	130,169	-
Travel and promotion		42,453	7,417	124,243	41,615
Directors' fees		47,250	-	118,750	-
Amortization	8	19,058	57	56,035	5,525
Operating lease payments		8,298	11,355	19,502	43,355
Foreign exchange expense		(1,874)	(272)	6,860	(1,337)
Listing fees	4	-	-	1,931,983	-
		\$ 1,186,885	\$ 389,231	\$ 5,343,678	\$ 1,464,350

13. Management of capital:

There were no changes in the Company's approach to capital management during the nine months ended September 30, 2019. The Company's capital includes all components of equity which amounts to \$7,933,382 as at September 30, 2019 (December 31, 2018 - \$2,082,049). To date, the Company has not declared any cash dividends to its shareholders as part of its capital management program. The Company's current capital resources are sufficient to discharge its current liabilities as at September 30, 2019.

14. Financial instruments and financial risk management:*Financial instruments*

The carrying amounts of accounts receivable, sales tax receivable, and accounts payable and accrued liabilities approximate their fair value due to their short periods to maturity.

Financial risk management

The Company has exposure to credit risk, market risk, and liquidity risk associated with its financial assets and liabilities. There were no significant or material changes to the Company's risk management during the nine months ended September 30, 2019. A discussion of the Company's use of financial instruments and other associated risks is as follows.

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14. Financial instruments and financial risk management (continued):**(a) Credit risk:**

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash, restricted cash, accounts receivable and sales tax recoverable. All funds in cash are held in financial institutions that have a credit rating above AA and the Company believes the risk of loss to be remote. Sales tax recoverable is due from the Quebec government. Sales tax credits are subject to review by the Quebec Ministry of Revenue and by Canada Revenue Agency ("CRA") and any adjustments that may result could reduce the sales tax recoverable as recorded.

The Company has accounts receivable from mining and exploration companies. The Company's credit risk arises from the possibility that a counterparty which owes the Company money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Company, which would result in a financial loss to the Company. These specific mining and exploration companies may be affected by economic factors and government factors which may impact accounts receivable. Management does not believe that a single industry or geographic region represents significant credit risk. This risk is mitigated through established credit management techniques, including monitoring counterparty creditworthiness, setting exposure limits and monitoring exposure against these customer credit limits.

The maximum exposure to credit risk is the carrying amount of the Company's cash and cash equivalents, accounts receivable, and sales tax recoverable which total \$5,768,167 as at September 30, 2019 (December 31, 2018 - \$2,069,887).

An aging of accounts receivable as at September 30, 2019 and December 31, 2018 is as follows:

	Accounts receivable due by period				Total
	0-30 days	31-60 days	61-90 days	91+ days	
September 30, 2019	\$ 116,851	\$ -	\$ 12,995	\$ 89,835	\$ 219,681
December 31, 2018	\$ 182,050	\$ 86,648	\$ 87,918	\$ 140,984	\$ 497,600

The impairment of financial assets is \$nil for the nine months ended September 30, 2019 (December 31, 2018 – \$nil). The Company does not have collateral to any of its receivable balances. See note 14(d) for concentration of credit risk.

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14. Financial instruments and financial risk management (continued):**(b) Market risk:**

Market risk is the risk that the fair value of future cash flows from the Company's financial instruments will significantly fluctuate because of changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favourable prices.

Additionally, the Company adjusts its investments to fair value at the end of each reporting period. This process could result in significant write-downs of the Company's investments over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavourable effect on GoldSpot's financial position.

There were no changes in the way the Company manages market risk during the nine months ended September 30, 2019.

The following table shows the estimated sensitivity of the Company's after-tax net loss for the nine months ended September 30, 2019 from a change in the fair value price of the Company's investments with all other variables held constant as at September 30, 2019:

Percentage of change in closing trade price	Decrease in after-tax net loss from % increase in closing trade price	Increase in after-tax net loss from % decrease in closing trade price
2%	\$ 48,886	\$ (48,886)
4%	97,772	(97,772)
6%	146,657	(146,657)
8%	195,543	(195,543)
10%	244,429	(244,429)

The following table shows the estimated sensitivity of the Company's after-tax net loss for the year ended December 31, 2018 from a change in the fair value price of the Company's investments with all other variables held constant as at December 31, 2018:

Percentage of change in closing trade price	Decrease in after-tax net loss from % increase in closing trade price	Increase in after-tax net loss from % decrease in closing trade price
2%	\$ 2,689	\$ (2,689)
4%	5,379	(5,379)
6%	8,068	(8,068)
8%	10,757	(10,757)
10%	13,446	(13,446)

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14. Financial instruments and financial risk management (continued):**(c) Liquidity risk:**

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they become due. The Company's management is responsible for reviewing liquidity resources to ensure funds are available to meet financial obligations as they become due, as well as ensuring funds exist to support business strategies and operating growth. There were no changes to the way that the Company manages liquidity risk during the nine months ended September 30, 2019. The Company manages liquidity risk by reviewing the amount of cash available on a weekly basis and managing its cash flow.

The Company's accounts payable and accrued liabilities are due within less than 1 year as at September 30, 2019 and December 31, 2018.

The Company's cash balance is sufficient to meet the Company's current liabilities.

The following table shows the Company's liabilities and potential due dates related to liquidity risk as at September 30, 2019:

Liabilities and obligations	Payments due by period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	Non-cash payable
Accounts payable and accrued liabilities	\$ 246,080	\$ 246,080	\$ -	\$ -	\$ -
Deferred revenue	817,111	-	-	-	817,111
Current lease liability	84,766	84,766	-	-	-
Non-current lease liability	235,129	-	235,129	-	-
	\$ 1,383,086	\$ 330,846	\$ 235,129	\$ -	\$ 817,111

The following table shows the Company's liabilities and potential due dates related to liquidity risk as at December 31, 2018:

Liabilities and obligations	Payments due by period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	Non-cash payable
Accounts payable and accrued liabilities	\$ 639,818	\$ 639,818	\$ -	\$ -	\$ -
Deferred revenue	33,100	-	-	-	33,100
Office lease payments	385,500	88,600	279,200	17,700	-
	\$ 1,058,418	\$ 728,418	\$ 279,200	\$ 17,700	\$ 33,100

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14. Financial instruments and financial risk management (continued):

The following table shows the Company's source of liquidity by assets as at September 30, 2019:

Assets	Liquidity by period				
	Total	Less than 1 year	1 – 3 years	After 4 years	Non-liquid assets
Cash and cash equivalents	\$ 5,552,382	\$ 5,552,382	\$ -	\$ -	\$ -
Accounts receivable	219,681	219,681	-	-	-
Investments, at fair value	2,817,625	1,912,625	905,000	-	-
Sales tax recoverable	96,373	96,373	-	-	-
Prepays	267,005	-	-	-	267,005
Property, plant and equipment	363,402	-	-	-	363,402
	\$ 9,316,468	\$ 7,781,061	\$ 905,000	\$ -	\$ 630,407

The following table shows the Company's source of liquidity by assets as at December 31, 2018:

Assets	Liquidity by period				
	Total	Less than 1 year	1 – 3 years	After 4 years	Non-liquid assets
Cash and cash equivalents	\$ 1,367,966	\$ 1,367,966	\$ -	\$ -	\$ -
Accounts receivable	497,600	497,600	-	-	-
Investments, at fair value	155,000	-	155,000	-	-
Sales tax recoverable	204,321	204,321	-	-	-
Prepays	142,942	-	-	-	142,942
Intangible assets	334,015	-	-	-	334,015
Property, plant and equipment	53,123	-	-	-	53,123
	\$ 2,754,967	\$ 2,069,887	\$ 155,000	\$ -	\$ 530,080

(d) Economic dependence:

Revenue

For the nine months ended September 30, 2019, the Company earned revenue from 8 contracts (nine months ended September 30, 2018 – 5 contracts) from mining and exploration companies. The Company's consulting revenue are usually short term in nature and consulting agreements are between 3-12 months terms.

Concentration of credit risk

As at September 30, 2019, the accounts receivable were from 4 mining and exploration companies (December 31, 2018 – 3 companies). As at September 30, 2019, the Company had no reason to believe that the accounts receivable will not be fully collected.

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15. Supplemental disclosure of cash flow information:

The following table shows the supplemental cash flow information for the nine months ended September 30:

	2019	2018
Finance expense paid	\$ 14,225	\$ -
Income taxes paid	-	-
Non-cash financing activities		
Issuance of shares pursuant to settlement of debt	50,000	-
Issuance of shares pursuant to services	-	18,511
