Pinehurst Capital II Inc.

(A Capital Pool Corporation)

Financial Statements

For the Years ended December 31, 2020 and 2019

(In Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Pinehurst Capital II Inc.:

Opinion

We have audited the financial statements of Pinehurst Capital II Inc. (the "Corporation") which comprise the statements of financial position as at December 31, 2020 and December 31, 2019, and the statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Other Information

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

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

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is William E.K. Avery.

MNP LLP

Toronto, Ontario
April 29, 2021

Chartered Professional Accountants
Licensed Public Accountants

MNP

Pinehurst Capital II Inc.
Statements of Financial Position
As at December 31, 2020 and 2019
(in Canadian Dollars)

		December 31, 2020		December 31, 2019
Assets				
Cash held in trust	$	98,425	$	243,161
	$	98,425	$	243,161
Liabilities				
Accounts payable and accrued liabilities	$	42,167	$	8,141
		42,167		8,141
Shareholders' Equity				
Share capital (Note 3)		330,815		330,815
Warrants (Note 3)		15,845		15,845
Contributed surplus (Note 3)		44,784		44,784
Deficit		(335,186)		(156,424)
		56,258		235,020
	$	98,425	$	243,161

Subsequent events (note 8)

Approved by the Board (signed) *"David Rosenkrantz"* Director **(Signed)**

(signed) *"Paul De Luca"* Director **(Signed)**

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

Pinehurst Capital II Inc.
Statements of Loss and Comprehensive Loss
For the Years Ended December 31, 2020 and 2019
(in Canadian Dollars)

	December 31, 2020	December 31, 2019
Expenses		
Legal fees	$ 124,698	$ 54,406
Filing fees	21,183	-
Consulting fees	5,225	-
Accounting fees	27,656	13,495
Stock-based compensation	-	44,784
Net loss and comprehensive loss for the year	(178,762)	(112,685)
Net loss per share – basic and diluted	$ (0.04)	$ (0.05)
Weighted average shares outstanding – basic and diluted	5,000,000	2,178,082

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

Pinehurst Capital II Inc.
Statements of Changes in Cash Flows
For the Years Ended December 31, 2020 and 2019
(in Canadian Dollars)

	For the Year ended December 31, 2020	For the Period ended December 31, 2018
Cash provided by (used in)		
Operating		
Net loss for the year/period	$ (178,762)	$ (112,685)
Stock-based compensation	-	44,784
Change in prepaid expenses and deposits	-	16,950
Change in accounts payable and accrued liabilities	34,026	(23,859)
Change in related party balances and transactions	-	(16,950)
	(144,736)	(91,760)
Financing		
Proceeds from initial public offering, net	-	246,660
Net change in cash	(144,736)	154,900
Cash, beginning of year	$ 243,161	$ 88,261
Cash, end of year/period	$ 98,425	$ 243,161

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

Pinehurst Capital II Inc.
Statements of Changes in Shareholders' Equity
For the Years Ended December 31, 2020 and 2019
(in Canadian Dollars)

	Number of Shares	Share Capital	Warrants	Contributed Surplus	Deficit	Shareholders' Equity
Balance at January 1, 2019	**2,000,000**	**$ 100,000**	**-**	**-**	**$ (43,739)**	**$ 56,261**
Share subscription (Note 3)	3,000,000	246,660	-	-	-	246,660
Warrants		(15,845)	15,845	-	-	-
Stock based compensation		-	-	44,784	-	44,784
Net loss for the year	-	-	-	-	(112,685)	(112,685)
Balance, December 31, 2019	**5,000,000**	**$ 330,815**	**$ 15,845**	**$ 44,784**	**$ (156,424)**	**$ 235,020**
Net loss for the year	-	-	-	-	(178,762)	(178,762)
Balance, December 31, 2020	**5,000,000**	**$ 330,815**	**$ 15,845**	**$ 44,784**	**$ (335,186)**	**$98,425**

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

1. INCORPORATION AND NATURE OF BUSINESS

Pinehurst Capital II Inc. (the "Corporation") was incorporated under the Ontario Business Corporations Act on July 13, 2018 and is a capital cool company ("CPC") as defined TSX Venture Exchange (the "Exchange") Policy 2.4. The principal business of the Corporation will be the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT"). The Corporation has not commenced commercial operations and has no assets other than cash held in trust. Given the nature of the activities, no separate segmented information is reported. The Corporation's continuing operations, as intended, are dependent on its ability to secure equity financing with which it intends to identify and evaluate potential acquisitions of businesses, and once identified and evaluated, to negotiate an acquisition thereof or participation therein subject to receipt of regulatory and, if required, shareholders' approval.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of 30% of the gross proceeds realized by the Corporation in respect of the sale of its securities or $120,000, may be used for purposes other than evaluating businesses or assets. These restrictions apply until completion of a QT by the Corporation as defined under the policies of the Exchange. The Corporation is required to complete its QT on or before two years from the date the Corporation receives regulatory approval. Subsequent to year end the Corporation transitioned to the changes to Policy 2.4 as disclosed in Note 8.

During the year the Corporation announced that it had entered into a definitive agreement to acquire the Ana Paula gold development project from by acquiring Aurea Mining Inc. and it's wholly-owned subsidiary Minera Aurea S.A. de C.V. from Argonaut Gold Inc. The agreement was intended to be the Corporation's QT and during the year ended December 31, 2020, the Corporation incurred additional legal, consulting and accounting fees related to pursuing the QT; however, subsequent to the year end the Corporation terminated the agreement.

The head office and the registered head office of the Corporation is located at Suite 300, 20 Holly St., Toronto, ON, M4S 3B1.

Effective January 1, 2021, the Exchange implemented changes to its CPC Policy (the "New CPC Policy"). Pursuant to the New CPC Policy, in order for the Corporation to align certain of its policies with the New CPC Policy, it was required to obtain approval from disinterested shareholders of the Corporation. At a special meeting of the shareholders of the Corporation held on February 23, 2021 (the "Meeting"), the requisite approval of disinterested shareholders of the Corporation was obtained for the following matters: (i) to remove the consequences of failing to complete a QT within 24 months of the Corporation's date of listing on the TSXV; and (ii) to amend the escrow release conditions and certain other provisions of the Corporation's escrow agreement. The Corporation completed its transition under the New CPC Policy on April 7, 2021.

On April 29, 2021, the Board of Directors approved the financial statements for the year ended December 31, 2020 and 2019.

The global outbreak of COVID-19 (coronavirus) has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business

closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

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

These financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets, and financial liabilities. These financial statements are presented in Canadian dollars, which is the corporation's functional and presentation currency.

(b) Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

i. Share-based compensation

The Corporation uses the Black-Scholes option-pricing model to determine the grant date fair value of share-based compensation. The following assumptions are used in the model: expected volatility; expected option life; risk-free interest rate and fair value of the underlying share.

The Corporation has a share option plan for employees (including officers), consultants and directors from which options to purchase common shares of the Corporation are issued. Share-based compensation costs are accounted for on a fair value basis, as measured at the grant date.

All share-based remuneration is ultimately recognized as an expense in profit or loss with a corresponding credit to contributed surplus. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Any adjustment to cumulative share-based compensation resulting from a revision is recognized in the current period. The number of vested options ultimately exercised by holders does not impact the expense recorded in any period.

Upon exercise of share options, the proceeds received, net of any attributable transaction costs, are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as contributed surplus.

(c) Earnings per share

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per

share is computed similar to basic earnings per share, except the weighted average number of common shares outstanding are increased to include additional shares from the assumed exercise of share options, if dilutive. Escrowed shares are excluded from the earnings per share determination and in periods of net loss and comprehensive loss the effect of outstanding stock options are not dilutive.

(d) Share capital

Share capital represents the nominal (par) value of shares that have been issued.

Contributed surplus includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of related income tax benefits. Contributed surplus includes amounts issued as share-based compensation, which upon exercise of the related awards will be reallocated to share capital or if these awards expire unexercised will remain in contributed surplus.

(e) Financial Instruments

Recognition

The Corporation recognizes financial assets and financial liabilities on the date the Corporation becomes a party to the contractual provisions of the instruments.

Classification

The Corporation classifies its financial assets and financial liabilities in the following measurement categories i) those to be measured subsequently at fair value through profit or loss (FVTPL); ii) those to be measured subsequently at fair value through other comprehensive income (FVOCI); and iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

The Corporation reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Corporation has implemented the following classifications:

Cash held in trust is classified as assets at fair value and any period change in fair value is recorded in profit or loss.

Accounts payable and accrued liabilities are classified as other financial liabilities and measured at amortized cost using the effective interest rate method.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in case of a financial asset tor financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments or principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition).

Additional fair value measurement disclosure includes classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements which are as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

Cash held in trust is a level 1 financial instrument measured at fair value on the statement of financial position

Impairment

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Trade receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Corporation under the contract, and the cash flows that the Corporation expects to receive. The Corporation assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Corporation measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

(f) **Income Taxes**

Current income tax assets and liabilities 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 in the statement of operations and comprehensive income.

Deferred income tax is provided using the balance sheet 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 income tax liabilities are recognized for all taxable temporary differences and deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to be recovered or settled. Deferred tax assets are recognized to the extent that realization of such benefits is probable.

3. SHARE CAPITAL

Authorized

Unlimited common shares

Issued

5,000,000 common shares, net of issue costs	**$**	**330,815**

Escrowed Shares

During 2018, the Corporation issued 2,000,000 common shares at $0.05 per share for total proceeds of $100,000.

These common shares will be held in escrow pursuant to the requirements of the Exchange Policy 2.4.

All common shares acquired on exercise of stock options granted to directors and officer prior to the completion of a Qualifying Transaction, must also be deposited in escrow until the final exchange bulletin is issued.

All common shares of the Corporation acquired in the secondary market prior to the completion of a Qualifying Transaction by a Control Person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer will also be subject to escrow.

Pursuant to the terms of the New CPC Policy, the Corporation amended certain provisions of the Corporation's previously existing escrow agreement, including allowing the Corporation's escrowed securities to be subject to an 18-month escrow release schedule as detailed in the New CPC Policy, rather than the 36-month escrow release schedule under the previous Policy 2.4.

Filing of prospectus and Initial Public Offering

On April 10, 2019, the Corporation issued 3,000,000 common shares at $0.10 per share for aggregate gross proceeds of $300,000 pursuant to a prospectus dated February 7, 2019.

The Corporation entered into an agreement with M Partners Inc. (the “Agent”) to raise the gross proceeds of $300,000 in connection with the Corporation’s IPO. The Corporation paid a commission of 10% of gross proceeds to the Agent amounting to $30,000. In addition, the Agent was granted non-transferable warrants to purchase up to 10% of the Common Shares sold in connection with the Offering at a price of $0.10 per common share, exercisable for a period of

twenty-four (24) months from the date of the listing of the Common Shares on the Exchange, see Broker Stock Warrants below. The Corporation reimbursed the Agent for legal fees and other reasonable expenses incurred pursuant to the Offering, in respect of the Offering the Corporation incurred costs of $23,340.

On April 10, 2019, the Corporation entered into stock option agreements, granting stock options to officers and directors to collectively acquire 500,000 of the outstanding common shares of the Corporation, at an exercise price of $0.10 per share and expiring April 12, 2029.

2019 Stock Option Plan

On April 10, 2019, the Corporation adopted a Stock Option Plan (the "2019 Plan"), which provides for grants of incentive share options and nonqualified share options to employees (including officers), consultants and directors. The 2019 Plan, and grants made under the 2019 Plan, are designed to align shareholder and participant interests. The Corporation's board of directors establishes the terms and conditions of any grants under the 2019 Plan. Incentive share options may be granted only to employees. The aggregate number of common shares of the Corporation as to which options may be granted from time to time under the 2019 Plan shall not exceed 500,000 shares. The maximum exercise period of any option grant shall not exceed ten years from the date of grant. The options vest immediately.

Share-based compensation expense recognized for the year ended December 31, 2020 was $nil (period ended December 31, 2019 - $44,784).

The Corporation recognizes compensation expense for share option grants based on the fair value at the date of grant using the Black-Scholes option pricing model. The following assumptions were used to determine the fair value of share option grants.

Valuation assumptions:	
Expected volatility	100.00%
Expected term (days)	3,655
Risk-free interest rate	1.68%
Share price	$ 0.10

Volatility was estimated by considering comparable industry share price volatility. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

The shares granted have an exercise price of $0.10 and were all immediately vested and exercisable. There were no other changes in share options during the years ended December 31, 2020 and 2019.

The weighted average grant-date fair value of options granted during the year ended December 31, 2019 was $0.089567.

Broker Stock Warrants

Broker stock warrants were issued in conjunction with the initial public offering. Each warrant entitles its holder to purchase one common share. The Corporation accounts for common stock warrants based on the fair market value of the instrument using the Black-Scholes option pricing model utilizing certain weighted average assumptions such as expected stock price volatility, term of the options and warrants, risk-free interest rates, and expected dividend yield at the grant date.

Total warrants issued were 300,000 at a fair market value of $0.052816 per share totaling $20,565.90 as reported in share capital and the corresponding amount in contributed surplus.

The following assumptions were used to determine the fair value of common stock warrant grants.

Valuation assumptions:	
Expected volatility	100.00%
Expected term (days)	730
Risk-free interest rate	1.60%
Share price	$ 0.10

Volatility was estimated by considering comparable industry share price volatility. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

On April 10, 2019, the Corporation granted non-transferable warrants to purchase up to 10% of the Common Shares sold in connection with the Offering at an exercise price of $0.10 per common share, exercisable for a period of twenty-four (24) months from the date of the listing of the Common Shares on the Exchange, being April 10, 2019.

For the years ended December 31, 2020 and 2019, no warrants were exercised.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Capital Management

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Corporation includes equity, comprised of share capital and deficit, in the definition of capital.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or $120,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These restrictions apply until completion of a Qualifying Transaction by the Corporation as defined under the Exchange policy 2.4. Subsequent to year end the Corporation transitioned to the changes to Policy 2.4 as disclosed in Note 8.

Fair Values

At December 31, 2020 and 2019, the Corporation's financial instruments consist of cash held in trust and accounts payable and accrued liabilities, which are carried at amortized cost and approximate their fair values due to their short term nature.

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Corporation to concentrations of

credit risks consist principally of cash held in trust. The Corporation is not otherwise exposed to significant credit risk.

Interest Rate Risk

The Corporation is not exposed to any significant interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation currently settles its financial obligations out of cash. The ability to do this relies on the Corporation raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs and to meet the Corporation's liabilities. The $8,141 of accounts payable and accrued liabilities are due within one year.

5. CONTINGENCY

There is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Corporation's shares from trading. Subsequent to year end the Corporation transitioned to the changes to Policy 2.4 as disclosed in Note 8.

6. RELATED PARTY TRANSACTIONS

There was no remuneration paid to key management personnel during the years ended December 31, 2020 and 2019. Refer to Note 3 for stock based compensation to officers and directors.

During the year ended December 31, 2018, a shareholder paid $16,950 on behalf of the Corporation related to a retainer for services by the Agent related to the IPO, see Note 3. The amount is non-interest bearing and without specified terms of repayment; however, it was repaid as at December 31, 2019.

7. INCOME TAXES

A reconciliation of combined federal and provincial corporate income taxes of statutory rates of 26.5% and the Corporation's effective income tax expense is as follows:

		For the Year ended December 31, 2020		For the Period ended December 31, 2019
Net loss for the period	**$**	178,762	**$**	112,685
Expected income tax recovery		(47,372)		(29,862)
Deferred tax assets not recognized		47,372		29,862
Income taxes recovery	**$**	**-**	**$**	**-**

At December 31, 2020, the Corporation has non-capital losses for income tax purposes of approximately $335,186 (2019 – $156,424) which can be carried forward to be applied against future taxable income. These losses expire to the extent unutilized against future taxable income in 2038-2040.

The Corporation has not recorded deferred tax assets related to these unused carry forward losses as it is not more likely than not that future taxable profits will be available against which these can be deducted.

8. SUBSEQUENT EVENTS

Subsequent to year end the Corporation received Exchange approval for transition to align its policies with the New CPC Policy. On approval of disinterested shareholders at the Meeting and upon fulfilment of the Exchange conditions, the Corporation implemented its changes to remove the consequences of completing a QT within 24 months of listing on the Exchange and to amend the escrow release conditions in its previous escrow agreement.

Subsequent to year end, on April 16, 2021, 300,000 broker warrants were exercised for proceeds of $30,000.