

**GETTY COPPER INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING DECEMBER 31, 2019**

**(Stated in Canadian dollars)**

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## Independent Auditor's Report

To the Shareholders of Getty Copper Inc.,

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Getty Copper Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of comprehensive loss, changes in 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 Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

#### Basis for Opinion

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

#### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company has incurred losses since inception, has no source of operating revenue and has a working capital deficiency of \$1,528,665. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis", but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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



**CHARTERED PROFESSIONAL ACCOUNTANTS**

Vancouver, BC, Canada

April 24, 2020

**GETTY COPPER INC.**  
**Statements of Financial Position**  
(Stated in Canadian Dollars)

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 9,498	\$ 6,904
Amounts receivable (Note 5)	21,714	826
Prepaid expenses	5,112	4,791
	36,324	12,521
<b>Reclamation Bonds</b>	17,000	17,000
<b>Exploration and Evaluation Assets</b> (Note 6)	5,717,536	5,508,927
<b>Property, Building and Equipment</b> (Note 7)	93,747	96,822
	\$ 5,864,607	\$ 5,635,270
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Note 8)	\$ 680,070	\$ 327,143
Provisions (Note 9)	300,000	174,000
Current portion of mortgage payable (Note 11)	9,232	8,702
Loans payable (Note 18)	575,687	379,205
Debenture (Notes 12 and 18)	-	1,016,886
	1,564,989	1,905,936
<b>Mortgage payable</b> (Note 11)	18,411	27,643
<b>Debenture</b> (Notes 12 and 18)	1,077,899	-
	1,096,310	27,643
	2,661,299	1,933,579
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital</b> (Note 14)	23,565,099	23,565,099
<b>Share-based Reserves</b> (Note 15)	1,785,111	1,604,394
<b>Deficit</b>	(22,146,902)	(21,467,802)
	3,203,308	3,701,691
	\$ 5,864,607	\$ 5,635,270

Nature of Business and Continuing Operations (Note 1)

Approved by:

“Meryl Tellis, CFO ”

“ John Lepinski, CEO”

See accompanying notes to financial statements

**GETTY COPPER INC.**  
**Statements of Comprehensive Loss**  
**For the Years Ending December 31**  
**(Stated in Canadian dollars)**

	<b>2019</b>	<b>2018</b>
<b>Expenses:</b>		
Depreciation	\$ 80	\$ 99
Bank charges & interest	355	332
Consulting fees (recovery)	—	(12,050)
Filing fees	8,143	8,474
Interest (Note 18)	27,982	16,511
Interest - long term (Notes 10, 11, 12 and 18)	62,933	59,980
Insurance	13,191	12,297
Marketing & promotion	1,494	644
Office & miscellaneous	5,765	4,892
Professional fees (Note 18)	308,090	31,955
Property tax	5,689	5,371
Rent (Note 18)	6,000	6,000
Share-based payments (Note 14(d))	180,717	26,900
Telephone	5,898	5,688
Transfer fees	11,230	11,981
Travel	1,813	1,606
Wages & benefits	41,371	40,277
	<u>680,751</u>	<u>220,957</u>
<b>Other Income:</b>		
Interest income	1,651	90
	<u>1,651</u>	<u>90</u>
Net and comprehensive loss for the year	<u>\$ (679,100)</u>	<u>\$ (220,867)</u>
Loss per share (Note 3(e))	<u>\$ (0.006)</u>	<u>\$ (0.002)</u>
Number of common shares outstanding	<u>108,427,205</u>	<u>108,427,205</u>

See accompanying notes to financial statements

**GETTY COPPER INC.**  
**Statements of Changes in Equity**  
**For the Years Ending December 31,**  
**(Stated in Canadian dollars)**

	<b>Share Capital</b>	<b>Share-based Reserves</b>	<b>Deficit</b>	<b>Total</b>
<b>Balance, January 1, 2019</b>	\$ 23,565,099	\$ 1,604,394	\$ (21,467,802)	\$ 3,701,691
Net and comprehensive loss for the year	-	-	(679,100)	(679,100)
Share-based payments	-	180,717	-	180,717
<b>Balance, December 31, 2019</b>	<b>\$ 23,565,099</b>	<b>\$ 1,785,111</b>	<b>\$ (22,146,902)</b>	<b>\$ 3,203,308</b>
<b>Balance, January 1, 2018</b>	\$ 23,565,099	\$ 1,577,494	\$ (21,246,935)	\$ 3,895,658
Net and comprehensive loss for the year	-	-	(220,867)	(220,867)
Share-based payments	-	26,900	-	26,900
<b>Balance, December 31, 2018</b>	<b>\$ 23,565,099</b>	<b>\$ 1,604,394</b>	<b>\$ (21,467,802)</b>	<b>\$ 3,701,691</b>

See accompanying notes to financial statements

**GETTY COPPER INC.**  
**Statements of Cash Flows**  
**For the Years Ending December 31,**  
**(Stated in Canadian dollars)**

	<b>2019</b>	<b>2018</b>
<b>Cash Provided By (used for)</b>		
<b>Operating Activities</b>		
Net loss for the year	\$ (679,100)	\$ (220,867)
Items not involving cash:		
Depreciation	80	99
Share-based payments	180,717	26,900
Interest on loans payable	27,982	16,511
Interest on debenture	61,013	57,560
	(409,308)	(119,797)
Net Change in Non-Cash Working Capital		
Items:		
Amounts receivable	(20,888)	(102)
Prepaid expenses	(321)	(54)
Accounts payable and accrued liabilities	152,862	(20,823)
Provisions	126,000	18,000
Other:		
Interest income	(1,651)	(90)
Interest income received	1,651	90
Interest expense	355	2,752
Interest paid	(355)	(2,752)
	(151,655)	(122,776)
<b>Financing Activities</b>		
Loans payable proceeds	168,500	239,000
Mortgage payable repayment	(8,702)	(8,203)
	159,798	230,797
<b>Investing Activities</b>		
Investment in exploration and evaluation assets	(58,835)	(113,870)
METC received	53,286	-
	(5,549)	(113,870)
<b>Increase (Decrease) in Cash</b>	2,594	(5,849)
<b>Cash, beginning of the year</b>	6,904	12,753
<b>Cash, end of the year</b>	\$ 9,498	\$ 6,904

Non-cash transactions - See Note 19.

See accompanying notes to financial statements

**GETTY COPPER INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ending December 31, 2019 and 2018**  
**(Stated in Canadian dollars)**

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**1. Nature of Business and Continuing Operations:**

Getty Copper Inc. (the "Company") was incorporated under the Canada Business Corporations Act in September 1987 and its common shares are listed for trading on the TSX Venture Exchange. Subsequent to incorporation, the Company has gone through a number of name changes and in March 2003, its name was changed to Getty Copper Inc. The Company is in the business of mineral exploration and mine development in the Highland Valley area of British Columbia.

These financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they come due. The Company has incurred losses since inception, has no source of operating revenue and at December 31, 2019, has a working capital deficiency of \$1,528,665. The Company has been and remains dependant on its capacity to raise funds via equity issuances under terms that are consistent with the best interests of shareholders in order to finance its operations. These conditions may cast significant doubt upon the Company's ability to continue as a going concern. These financial statements contain no provisions for adjustments which may become necessary if the Company becomes unable to continue on a going concern basis.

As the Company is in the exploration and evaluation stage, the Company has not yet determined whether its mineral rights contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral rights and the ability of the Company to meet its obligations are dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of the mineral rights and future profitable production or proceeds from the disposition thereof.

**2. Statement of Compliance and Basis of Preparation:**

**Statement of Compliance**

The financial statements of the Company for the years ended December 31, 2019 and 2018 have been prepared by management and approved and authorized for issue by the Board of Directors on April 24, 2020. Shortly thereafter, the financial statements are made available to shareholders and others through filing on SEDAR.

**Basis of Preparation**

These financial statements, including comparatives, have been prepared using accounting policies consistent with IFRS.

The financial statements have been prepared on the historical cost basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value, as explained in the accounting policies set out in Note 3. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Notes 3(a) and 3(b).

All amounts are presented in Canadian dollars, unless otherwise indicated, as a significant amount of the Company's business is conducted in this currency.

**GETTY COPPER INC.**  
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**2. Statement of Compliance and Basis of Preparation (Continued):**

**Changes in accounting policies and comparability:**

**Adoption of new and revised standards and interpretations**

The Company has adopted the new IFRS pronouncement as at January 1, 2019 in accordance with the transitional provisions of the standard and as described below. The adoption of this new IFRS pronouncement has not resulted in any adjustments to previously reported figures as outlined below.

**Overview of Changes in IFRS**

**a) IFRS 16 – Leases**

For annual periods beginning on or after January 1, 2019, IAS 17, IFRIC 4, SIC -15 and SIC – 27 have been replaced, in their entirety with IFRS 16 – Leases (“IFRS16”). Under IFRS 16, virtually all leases are required to be accounted for as finance leases rather than operating leases, where the required lease payments are disclosed as a commitment in the notes to the financial statements. As a result, leased assets (“right-of-use” assets) and the related lease liability will be required to be recognized on the statement of financial position.

**New standards not yet effective**

At the date of authorization of these financial statements, there has been no new standards issued but not yet effective:

**3. Significant Accounting Policies:**

**a) Critical accounting policies, key judgements and estimates**

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 and liabilities as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual outcomes could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**b) Critical judgements in applying accounting policies**

The following are the critical judgments, apart from those involving estimations that management has made in the process of applying the Company’s accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

**i. Impairments**

Exploration and evaluation assets and property, building and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. If an asset’s recoverable amount is less than the asset’s carrying amount, an impairment loss is recognized. Refer to Notes 6 and 7.

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**3. Significant Accounting Policies (Continued):**

**ii. Going concern**

Judgement is used in determining the Company's ability to continue as a going concern in order to discharge its obligations as they fall due.

**b) Key sources of measurement uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period:

**i. Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event; it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. The Company assesses its liabilities and contingencies based upon the best information available, relevant tax laws and other appropriate requirements. Refer to Note 9.

**d) Income taxes**

Income tax expense represents the sum of tax currently payable and changes to deferred tax assets and liabilities as a result of operations during the year.

**Current income taxes**

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 date of the statement of financial position.

**Deferred income taxes**

Deferred income tax is provided using the statement of financial position liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets and liabilities are recognized for all taxable temporary differences, except where the deferred income tax asset and liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

Deferred income 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 taxable income will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

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

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**3. Significant Accounting Policies (Continued):**

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to 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 date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of operations and comprehensive loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

**e) Loss per share**

Loss per share has been calculated using the weighted-average number of common shares outstanding during each period. Diluted loss per share has not been calculated as it is anti-dilutive when the numerator used in the calculation is a net loss. For purposes of the calculation of the weighted-average number of common shares outstanding, share consolidations are considered to have occurred on the first day of the earliest fiscal year presented.

**f) Financial assets**

**Classification**

Financial assets are classified as either financial assets at fair value through profit or loss (“FVTPL”), amortized cost, or fair value through other comprehensive income (“FVTOCI”). The company determines the classification of its financial assets at initial recognition.

**FVTPL**

Financial assets are classified at FVTPL if they are acquired for the purpose of selling in the near term. Gains or losses on these items are recognized in net earnings or loss.

**Amortized cost**

Financial assets are classified at amortized cost if both of the following criteria are met and the financial assets are not designated as FVTPL:

- i) The objective of the Company’s business model for these financial assets is to collect their contractual cash flows; and
- ii) The asset’s contractual cash flows represent “solely payments of principal and interest”.

A provision is recorded when the estimated recoverable amount of the financial asset is lower than the carrying amount. At each statement of financial position date, the Company assesses on a forward-looking basis the expected

credit losses associated with its financial assets carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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**3. Significant Accounting Policies (Continued):**

**f) Financial assets (continued)**

**FVTOCI**

Financial assets are classified as FVTOCI if both of the following criteria are met and the financial assets are not designated as FVTPL:

- i) The objective of the Company's business model for these financial assets is achieved by both collecting contractual cash flows and selling financial assets; and
- ii) The asset's contractual cash flows represent "solely payments of principal and interest".

For equity securities that are not held for trading, the Company can make an irrevocable election at initial recognition to classify the instruments as FVTOCI, with all subsequent changes in fair value being recognized in other comprehensive income ("OCI"). This election is available for each separate investment.

The Company's cash and reclamation bonds are classified as subsequently measured at amortized cost.

**Reclassifications**

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

**Effective interest method**

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset or, where appropriate, a shorter period. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

**De-recognition of Financial Assets**

A financial asset is derecognized when:

- The contractual right to the asset's cash flow expires; or
- If the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

**g) Financial liabilities**

**Classification**

All financial liabilities are classified as either financial assets at fair value through profit or loss ("FVTPL") or amortized cost. The company determines the classification of its financial liabilities at initial recognition.

The Company's accounts payable and accrued liabilities, debenture, mortgage payable, provisions and loan payable are subsequently measured at amortized cost. The Company does not have any financial liabilities designated at FVTPL.

**Reclassifications**

Financial liabilities cannot be reclassified.

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**(Stated in Canadian dollars)**

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**3. Significant Accounting Policies (Continued):**

**De-recognition of financial liabilities**

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

**h) Cash and cash equivalents**

Cash consists of funds held in the Company's chequing and savings account that do not have any restrictions placed on them. Cash equivalents include highly liquid investments having terms to maturity of 90 days or less when acquired. As at December 31, 2019 and 2018, the Company had no cash equivalents.

**i) Property, building and equipment**

Property, building and equipment are recorded at cost less accumulated depreciation and any accumulated impairment write-downs.

Depreciation is charged to the statement of comprehensive loss so as to write-off the cost of assets less their residual values using the declining balance basis at the following annual rates:

Automotive equipment	30%
Building	4%
Computer equipment	45%
Computer software	100%
Office equipment	20%
Portable buildings	30%

When parts of an item of property, building and equipment have different useful lives, they are accounted for as separate items (major components) of property, building and equipment.

The Company assesses at each statement of financial position date, whether there is an indication that property, building and equipment may be impaired. If any indication of impairment exists, the Company performs an impairment test to determine whether an impairment loss is required to be recognized. Impairment tests are performed in accordance with the steps discussed in the accounting policy note entitled "Impairment of non-financial assets".

**j) Exploration and evaluation assets**

All direct costs relating to the exploration and evaluation assets that meet the generally accepted criteria for deferral are capitalized as incurred. These criteria include having a clearly defined process with identifiable associated costs, establishment of technical feasibility, an intention to process and sell the recovered minerals to a clearly defined market, and adequate resources exist or are expected to be available to complete the project to commercial production. Acquisition, option payments and direct exploration costs are deferred until the properties are placed into production, sold or abandoned or management has determined there to be impairment, at which time these deferred costs will either be amortized on a unit-of-production basis, charged to operations, if sold, or written-off.

Exploration and evaluation assets are recorded at cost less accumulated impairment losses. Direct costs include any cash consideration and fair market value of shares issued, if any, on the acquisition of a mineral property interest. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when payments are made.

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**3. Significant Accounting Policies (Continued):**

**j) Exploration and evaluation assets (continued)**

Carrying values of exploration and evaluation assets as reported on the statement of financial position do not necessarily reflect the actual present or future value. Recovery of carrying values is dependent upon the future commercial success of operations.

Upon establishment of commercial production, carrying values of mineral interests are amortized over the estimated life of the mines, using the unit-of-production basis, based upon the current estimated recoverable reserves and resources.

Management's assessment of the property's estimated current market value may also be based upon a review of other property transactions that have occurred in the same geographical area as that of the property under review. Administrative exploration related costs are expensed as incurred.

**k) Impairment of non-financial assets**

At each statement of financial position date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset, or cash-generating unit, is estimated to be less than its carrying amount, the carrying amount of the asset, or cash-generating unit, is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset, or cash-generating unit, is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset, or cash-generating unit, in prior years.

**l) Asset retirement and environmental provisions**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and property, building and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement and environmental provision is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement and environmental provision is added to the carrying amount of the related asset and the cost is amortized in a manner consistent with the depreciation of the related asset. Following the initial recognition of the asset retirement and environmental provision, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation and accreted over time to its present value. The accretion charge is included in the statement of comprehensive loss within amortization expense. At December 31, 2019 and 2018, the Company cannot reasonably estimate the fair value of the resource properties site restoration costs, if any.

**GETTY COPPER INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**3. Significant Accounting Policies (Continued):**

**m) Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

**n) Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount. Refer to Note 18.

**o) Share-based payments**

The Company grants stock options and warrants to buy common shares of the Company to directors, officers, employees and service providers. The directors, officers and employees receive a portion of their remuneration in the form of share-based payment transactions, whereby employees and service providers render services as consideration for equity transactions (“equity-settled transactions”).

The Board of Directors grants such options and warrants for periods up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The Company recognizes the fair value of share-based payments over the vesting period of the options and warrants. The fair value of the options and warrants granted is calculated using the Black-Scholes option

pricing model that takes into account the exercise price, expected life of the option, expected volatility of the underlying shares, expected dividend yield, and the risk free interest rate for the term of the option. The fair value excludes the effect of non market-based vesting conditions.

**p) Equity-settled transactions**

The costs of equity-settled transactions with employees and service providers are measured by reference to the fair value at the date on which they are granted.

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**3. Significant Accounting Policies (Continued):**

**p) Equity-settled transactions (continued)**

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is recorded in share-based reserves.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied. Share options granted to employees and service providers are treated as forfeited when such employees cease employment before the end of the vesting period. Such forfeitures result in a reversal of the expense previously recognized, with a corresponding adjustment to the share-based reserves.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement.

**q) Exploration tax credits**

Exploration tax credits are recorded as a reduction in exploration costs once there is reasonable assurance that they will be received.

**r) Flow through shares**

The Company will, from time to time, issue flow-through shares to finance a portion of its exploration program.

Pursuant to the terms of flow-through share agreements and Canadian tax legislation, these shares transfer the tax deductibility of qualifying resource expenditures to investors.

On issuance, the Company allocates the flow-through share into:

- i) Fair value of capital stock; and
- ii) The residual as a flow-through share premium, if any, which is recognized as a liability. Upon expenses being incurred, the Company derecognizes the liability and the related deferred tax liability will be recognized.

The Company is required to spend the proceeds received from the issuance of flow-through shares on Canadian resource property exploration expenditures within a two-year period.

The company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with the Canada Revenue Agency flow-through regulations. When applicable, this tax is accrued as an expense until paid.

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**4. Financial Instruments:**

**Categories of financial instruments**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Financial Assets – Amortized cost</b>		
Cash	\$ 9,498	\$ 6,904
Reclamation bonds	17,000	17,000
	<b>\$ 26,498</b>	<b>\$ 23,904</b>
<b>Financial Liabilities – Amortized cost</b>		
Accounts payable and accrued liabilities	\$ 680,070	\$ 327,143
Provisions	300,000	174,000
Mortgage payable	27,643	36,345
Debenture	1,077,899	1,016,886
Loans payable	575,687	379,205
	<b>\$ 2,661,299</b>	<b>\$ 1,933,579</b>

**Fair Value**

The Company estimates that the fair value of these financial instruments, excluding debenture, approximates the carrying value at December 31, 2019 and December, 2018, respectively. Refer to Note 12.

All financial instruments revaluated at fair value must be classified according to a hierarchy containing 3 levels:

- i. Level 1 – Fair values based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ii. Level 2 – Fair value techniques based on inputs other than quoted prices included in Level 1 that are observable on the market for the assets and liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- iii. Level 3 – Fair values based on inputs for the assets and liabilities that are not based on observable market data.

**5. Amounts Receivable:**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
GST recoverable	\$ 21,714	\$ 826

**6. Exploration and Evaluation Assets:**

The Getty mineral claims are contiguous and are located within the Kamloops Mining District of Highland Valley, British Columbia. Building and equipment depreciation included in exploration costs during the year ending December 31, 2019 amounted to \$2,995 (2018 -\$3,241).

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**6. Exploration and Evaluation Assets (Continued):**

During the year ending December 31, 2019, the Company incurred \$261,895 (2018 - \$17,111) in deferred costs as follows:

	Getty South 50% interest	Getty	Total Exploration & Evaluation
Assay	\$ —	\$ 33,285	\$ 33,285
Geology	—	213,946	213,946
Other	2,831	11,833	14,664
Total exploration & evaluation costs	\$ 2,831	\$ 259,064	\$ 261,895

As at December 31, 2019, the Company's historical deferred costs and the current carrying aggregate amount are derived as follows:

	Getty South 50% interest	Getty	Total Exploration & Evaluation
Assay	\$ 66,732	\$ 591,220	\$ 657,952
Drilling	453,304	4,262,022	4,715,326
Environmental	4,059	250,397	254,456
Pre-feasibility study	184,819	343,563	528,382
Geology	444,099	3,643,321	4,087,420
Metallurgy	16,423	974,508	990,931
Other	318,022	2,048,760	2,366,782
Total exploration & evaluation costs	1,487,458	12,113,791	13,601,249
Mineral rights acquisition costs	1,069,134	615,282	1,684,416
	2,556,592	12,729,073	15,285,665
Write-offs	(800,706)	(8,714,137)	(9,514,843)
METC received	(10,313)	(42,973)	(53,286)
	\$ 1,745,573	\$ 3,971,963	\$ 5,717,536

As at December 31, 2018, the Company's historical deferred costs and the current carrying aggregate amount are derived as follows:

	Getty South 50% interest	Getty	Total Exploration & Evaluation
Assay	\$ 66,732	\$ 557,935	\$ 624,667
Drilling	453,304	4,262,022	4,715,326
Environmental	4,059	250,397	254,456
Pre-feasibility study	184,819	343,563	528,382
Geology	444,099	3,429,375	3,873,474
Metallurgy	16,423	974,508	990,931
Other	315,191	2,036,927	2,352,118
Total exploration & evaluation costs	1,484,627	11,854,727	13,339,354
Mineral rights acquisition costs	1,069,134	615,282	1,684,416
	2,553,761	12,470,009	15,023,770
Write-offs	(800,706)	(8,714,137)	(9,514,843)
	\$ 1,753,055	\$ 3,755,872	\$ 5,508,927

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**6. Exploration and Evaluation Assets (Continued):**

During fiscal 2017, the Company amalgamated a majority of the mineral property claims. In prior years, the Getty Northwest, Getty Central, Getty North and Getty Southwest properties were presented separately. These properties have been consolidated as the Getty property for financial statement presentation purposes.

The Company acquired a 100% interest in the Getty North Property in 1992 from two private corporations controlled by Getty's then president. As consideration, the Company issued 4,608,492 common shares to each of the private corporations involved, subject to the Company obtaining a valuation on the property establishing a minimum value of \$2,304,246 and the approval of the securities commission in existence at that time. The property is subject to a 1.5% net smelter return royalty in favour of a private corporation controlled by the Chief Executive Officer of the Company.

The Getty Northwest property claims were acquired by the Company through staking this property. This property is also subject to a 1.5% net smelter return royalty in favour of a private corporation controlled by the Chief Executive Officer of the Company.

The Company originally entered into an agreement to acquire a 50% interest in the Getty Central, Getty South and Getty Southwest mineral rights from Robak Industries Ltd. ("Robak"), a private corporation controlled by the Chief Executive Officer of the Company. Certain terms and conditions laid out in this original contract were not met and on November 8, 2002, the Company and Robak terminated the original agreement and entered into a subsequent agreement for the Company to acquire a 100% interest in the Getty Central and Getty Southwest mineral rights and a 50% interest in the Getty South mineral rights in exchange for 6,000,000 common shares of the Company at a deemed value of \$1,200,000. The Company also agreed to pay 100% of the costs to place the Getty South mineral rights into production and granted a 1.5% net smelter royalty on all of these claims in favour of Robak.

Title to mining properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to its properties are in good standing.

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**7. Property, Building and Equipment:**

	Automotive equipment	Computer equipment	Computer software	Office equipment	Portable buildings	Building	Land	Totals
<b>Cost</b>								
Balance, January 1, 2018	\$ 29,318	\$ 100,841	\$ 74,359	\$ 54,407	\$ 12,112	\$ 178,124	\$ 22,322	\$ 471,483
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Balance, December 31, 2018	29,318	100,841	74,359	54,407	12,112	178,124	22,322	471,483
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Balance, December 31, 2019	\$ 29,318	\$ 100,841	\$ 74,359	\$ 54,407	\$ 12,112	\$ 178,124	\$ 22,322	\$ 471,483
<b>Depreciation and impairment losses</b>								
Balance, January 1, 2018	\$ 29,318	\$ 100,841	\$ 74,359	\$ 53,665	\$ 12,112	\$ 101,026	\$ -	\$ 371,321
Depreciation for the year	-	-	-	148	-	3,192	-	3,340
Impairment loss	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Balance, December 31, 2018	29,318	100,841	74,359	53,813	12,112	104,218	-	374,661
Depreciation for the period	-	-	-	119	-	2,956	-	3,075
Impairment loss	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Balance December 31, 2019	\$ 29,318	\$ 100,841	\$ 74,359	\$ 53,932	\$ 12,112	\$ 107,174	\$ -	\$ 377,736
<b>Carrying Amounts</b>								
At January 1, 2018	\$ -	\$ -	\$ -	\$ 742	\$ -	\$ 77,098	\$ 22,322	\$ 100,162
At December 31, 2018	\$ -	\$ -	\$ -	\$ 594	\$ -	\$ 73,906	\$ 22,322	\$ 96,822
At December 31, 2019	\$ -	\$ -	\$ -	\$ 475	\$ -	\$ 70,950	\$ 22,322	\$ 93,747

The Company owns land and an office/storage building in Logan Lake. The premises are used for core storage, field offices and vehicle storage. The property is encumbered by a mortgage in the amount of \$27,643 as of December 31, 2019 (see Note 11).

**8. Accounts Payable and Accrued Liabilities:**

	December 31, 2019	December 31, 2018
Trade payables	\$ 496,054	\$ 313,321
Amounts due to related parties (Note 18)	184,016	13,822
	<u>\$ 680,070</u>	<u>\$ 327,143</u>

**9. Provisions:**

The provision below represents accruals for professional fees.

Balance, January 1, 2018	<u>\$ 156,000</u>
Decrease	(18,000)
Increase	36,000
Balance, December 31, 2018	<u>174,000</u>
Decrease	(1,500)
Increase	127,500
Balance, December 31, 2019	<u>\$ 300,000</u>

See Note 18.

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**10. Indemnity:**

In April, 2009, the Company reached a settlement with one of its Directors to indemnify him for approximately 88% of legal expenses incurred during 2004 to 2007 in connection with his prosecution of legal actions against former Directors who were alleged to have improperly attempted to impugn for personal reasons a 2002 mineral property interest sale agreement ("MPISA") between the Director's company and the Company. The settlement was premised on the fact that the Director's legal actions were of benefit to the Company in the conduct of its own litigation in defense of the MPISA. The settlement provided that the Director was entitled to receive \$650,000 by way of cash of \$50,000 upon execution of a definitive agreement and a secured debenture of \$600,000 bearing interest at 6%. In November 2016, the indemnity and accrued interest was repaid with the funds from a Debenture. See Note 12.

**11. Mortgage Payable:**

The mortgage payable is associated with the Logan property (see Note 7).

The mortgage payable is secured by a first mortgage on land and building and requires monthly payments of \$885 including interest at 6.0% per annum and the mortgage payable will mature on September 1, 2022.

Principal repayments required are as follows:

	December 31, 2019	December 31, 2018
Payable not later than one year	\$ 9,232	\$ 8,702
Payable later than one year and not later than five years	18,411	27,643
	\$ 27,643	\$ 36,345

**12. Debenture:**

During November 2016, the Company executed a \$900,000 debenture with a company controlled by the Chief Executive Officer of the Company. The debenture bears interest at 6% per annum calculated yearly, not in advance. The principal balance plus all unpaid interest is due and payable at the earlier of:

- three days after the Company has completed, and received the proceeds from, one or more securities offering(s) where the aggregate proceeds are at least \$2 million;
- the date on which the Company sells all or substantially all of its assets;
- the date on which there is a transfer of the Company's shares which results in more than 50% of the shares being beneficially owned, directly or indirectly, by persons other than the CEO of the Company and any related party; and
- as at December 31, 2018, the debenture was due March 1, 2019 (on March 7, 2019, the parties agreed to extend the date for repayment under the Reimbursement Agreement and Debenture Agreement, to March 31, 2020. This extension is intended to have been effective from November 23, 2016. As the extension was signed after December 31, 2018, IFRS required that the debenture be classified as a current liability instead of a long-term liability).

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**12. Debenture (continued):**

The debenture is secured by:

- a fixed and specific first mortgage, pledge and charge to and in favour of Robak over: (i) all Crown grants, lands and other real and immovable property owned by the Company together with all appurtenances, buildings and fixtures located thereon; and (ii) all furniture, machinery equipment, vehicles and accessories and other goods and chattels of the Company; and
- a security interest by way of a floating charge on the whole of the Company's undertaking and all of its mineral claims, agreement rights, property and assets, but excluding the property subject to the mortgage.

The Company has the right to prepay, in whole or in part and subject to a \$10,000 minimum payment, the debenture together with any accrued and unpaid interest without notice, penalty or bonus.

The debenture proceeds were used to repay \$824,625 in liabilities as follows:

- \$581,647 (indemnity of \$450,000 plus \$131,647 in accrued interest) payable to the CEO of the Company;
- \$2,109 (expense reimbursement) payable to the CEO of the Company;
- \$176,119 (loan proceeds of \$171,000 plus \$5,119 in accrued interest) payable to a company with a common director;
- \$56,350 (management fees of \$52,500 plus \$3,850 in taxes) payable to a company with a common director; and
- \$8,400 (rent of \$8,000 plus \$400 in taxes) payable to a company with a common director.

At December 31, 2019, the fair value of the debenture was approximately \$1,079,000 (2018 - \$1,017,000). Fair value was determined using an income approach. An income approach is a present value technique that takes into account the future cash flows that would be expected to be received from holding the debenture as an asset. Present value was calculated using the following attributes – future lump sum of \$900,000, 2 months to maturity, future interest payments of \$127,000 and a discount rate of 6% discounted annually.

On December 30, 2019, the date of repayment of the debenture was extended to March 31, 2021.

Also see Note 18.

**13. Income Taxes:**

A reconciliation of Canadian income taxes at the statutory rate is as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Net and comprehensive loss for the year	\$ 679,100	\$ 220,867
Expected income tax recovery	\$ (183,357)	\$ (59,634)
Net adjustment for deductible and non-deductible amounts	49,001	7,377
Unrecognized benefit of tax pool assets	134,356	52,257
Income taxes	\$ –	\$ –

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**13. Income Taxes (Continued):**

The significant components of the Company's deferred income tax assets are as follows:

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Deferred income tax assets:		
Mineral properties	\$ 588,700	\$ 608,700
Non-capital loss carry-forwards	1,938,200	1,803,700
Capital loss carry-forwards	189,400	189,400
Building & equipment	106,600	105,800
Share issue costs	–	100
	<u>2,822,900</u>	<u>2,707,700</u>
Valuation allowance	<u>(2,822,900)</u>	<u>(2,707,700)</u>
Net deferred tax assets	<u>\$ –</u>	<u>\$ –</u>

At December 31, 2019, the Company has approximately \$7,177,000 of loss carry forwards which may be available to reduce taxable income in future years. These losses expire as follows:

2026	<u>\$ 1,132,000</u>
2027	2,119,000
2028	205,000
2029	923,000
2030	305,000
2031	139,000
2032	254,000
2033	192,000
2034	256,000
2035	495,000
2036	228,000
2037	236,000
2038	195,000
2039	498,000
	<u>\$ 7,177,000</u>

Subject to certain restrictions, the Company also has mineral property expenditures of approximately \$7,900,000 available to reduce taxable income in future years.

Future tax benefits which may arise as a result of these losses and resource deductions have not been recognized in these financial statements and have been offset by a valuation allowance.

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**14. Share Capital:**

a) Authorized: Unlimited number of common shares

b) Issued:	Shares	Amount
Balance, January 1, 2018	108,427,205	\$ 23,565,099
Shares issued	-	-
Share issue costs	-	-
Balance December 31, 2018	108,427,205	23,565,099
Shares issued	-	-
Share issue costs	-	-
Balance December 31, 2019	108,427,205	\$ 23,565,099

c) Warrants

There are currently no warrants outstanding.

d) Share purchase options

The following is a summary of changes in share purchase options from January 1, 2019 to December 31, 2019:

Expiry Date	Exercise Price \$	Number of Options January 1, 2019	Issued	Expired/ Cancelled	Number of Options December 31, 2019
June 20, 2019	0.05	810,810	-	810,810	-
August 15, 2019	0.07	489,190	-	489,190	-
August 15, 2019	0.05	2,175,000	-	2,175,000	-
August 15, 2020	0.05	1,000,000	-	-	1,000,000
February 1, 2021	0.05		500,000		500,000
May 16, 2021	0.05		1,000,000		1,000,000
May 16, 2024	0.05		1,498,960		1,498,960
August 15, 2024	0.05		2,476,040		2,476,040
		4,475,000	5,475,000	3,475,000	6,475,000
Wt. Average price		0.05			0.05
Wt. Average remaining life (yrs.)		0.82			3.18

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**14. Share Capital (Continued):**

The following is a summary of changes in share purchase options from January 1, 2018 to December 31, 2018:

Expiry Date	Exercise Price \$	Number of Options January 1, 2018	Issued	Expired/ Cancelled	Number of Options December 31, 2018
June 20, 2018	0.05	311,850	–	311,850	–
June 20, 2019	0.05	1,434,510	–	623,700	810,810
August 15, 2019	0.07	865,490	–	376,300	489,190
August 15, 2018	0.07	688,150	–	688,150	–
August 15, 2019	0.05	3,675,000	–	1,500,000	2,175,000
August 15, 2020	0.05	–	1,000,000	–	1,000,000
		6,975,000	1,000,000	3,500,000	4,475,000
Wt. Average price		0.05			0.05
Wt. Average remaining life (yrs.)		1.44			0.82

At the Company's 2018 Annual General Meeting held June 25, 2019 the shareholders approved a new Incentive Stock Option Plan to replace the previous share option plan with a 10% rolling plan whereby the aggregate number of Common Shares that may be reserved for issuance pursuant to options shall not exceed 10% of the issued and outstanding Common Shares of the Company at the time of the granting of options. The Board of Directors is of the view that the New Plan is required in order to provide incentive to the directors, management, employees and consultants of the Company to act in the best interest of the Company and contribute to the future growth and success of the Company.

On August 16, 2018, the Company granted stock options to consultants of the Company to purchase an aggregate of 1,000,000 common shares in the capital of the Company. The options were granted at an exercise price of \$0.05 per common share expiring August 15, 2020.

On December 31, 2018 2,500,000 stock options expired to directors who resigned on October 2, 2018. These expired options include 376,300 stock options exercisable at \$0.07 and 2,123,700 stock options exercisable at \$0.05.

On February 1, 2019, the Company granted stock options to the new CFO of the Company to purchase an aggregate of 500,000 common shares in the capital of the Company. The options were granted at an exercise price of \$0.05 per common share expiring on February 1, 2021. The vesting period was waived.

On May 17, 2019, the Company granted stock options to new directors of the Company to purchase an aggregate of 1,000,000 common shares in the capital of the Company and 1,000,000 options to a consultant of the Company. The options were granted at an exercise price of \$0.05 per common share. The directors options will expire on May 16, 2024 and the options for the consultant will expire on May 16, 2021.

On June 21, 2019, the Company granted stock options to a director and an employee to purchase an aggregate of 498,960 common shares in the capital of the Company. The options were granted at an exercise price of \$0.05 per common share expiring on May 16, 2024. These options were issued to replace expired options.

On August 16, 2019, the Company granted stock options to a director and an employee to purchase an aggregate of 2,476,040 common shares in the capital of the Company. The options were granted at an exercise price of \$0.05 per common share expiring on August 15, 2024. These options were issued to replace expired options.

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**14. Share Capital (Continued):**

Accordingly, using the Black-Scholes option pricing model, the stock options are recorded at fair value in the statement of comprehensive loss. This amount was recorded as the share-based reserves on the statement of financial position.

The following is a summary of stock options outstanding as at December 31, 2019:

Exercise Price	Options outstanding	Remaining Contractual life [years]	Options vested
0.05	1,000,000	.62	1,000,000
0.05	500,000	1.09	500,000
0.05	1,000,000	1.38	1,000,000
0.05	1,498,960	4.38	1,498,960
0.05	2,476,040	4.63	2,476,040
	<u>6,475,000</u>		<u>6,475,000</u>

The fair value of the stock options is estimated using the Black-Scholes model with weighted average assumption as follows:

	December 2019	December 2018
Risk free interest rate	1.19% - 1.83%	2.08
Expected life of options in years	2 – 5 years	2
Expected volatility	213.45% - 244.62%	246.44%
Dividend per share	\$0.00	\$0.00

**15. Share-based Reserves:**

The continuity is as follows:

	2019	2018
Balance at beginning of the year	\$ 1,604,394	\$ 1,577,494
Share-based payments	180,717	26,900
Balance at end of the year	<u>\$ 1,785,111</u>	<u>\$ 1,604,394</u>

For the year ending December 31, 2019 \$180,717 (2018 - \$26,900) in share-based payments was recognized in the statement of comprehensive loss for options granted to adjust share-based compensation to fair value.

**16. Capital Management:**

The Company manages its capital structure and makes adjustments to it based on available funds in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its working capital position and capital stock, warrant, and option components of its shareholders' equity.

The Company manages its capital structure in a manner that provides sufficient funding for operational activities. Funds are primarily secured through a combination of equity capital raised by way of issuing equity instruments and external debt. In order to maintain or adjust the capital structure, the Company may attempt to raise additional financing through the issuance of new equity instruments, the exercise of outstanding common share purchase warrants and stock options. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

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**16. Capital Management (Continued):**

There were no changes in the Company's approach to capital management during the year ending December 31, 2019. The Company is not subject to externally imposed capital requirements.

**17. Financial Risk Factors:**

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner. The Company does not enter into or trade financial instruments including derivative financial instruments, for speculative purposes.

**a) Credit risk**

Credit is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company is of the opinion that credit risk is currently minimal.

**b) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity by ensuring there is sufficient capital to meet short and long-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents. The Company also strives to maintain sufficient financial liquidity at all times in order to participate in investment opportunities as they arise, as well as to withstand sudden adverse changes in economic circumstances.

The following table details the Company's expected remaining contractual maturities for its financial liabilities at December 31, 2019. The table used is based on the undiscounted cash flows of financial liabilities based on the earlier date on which the Company can be required to satisfy the liabilities.

As at December 31, 2019	6 months or less	6 to 12 months	1 to 2 years	Over 2 years	Total
Accounts payable and accrued liabilities, and provisions	\$ 980,070	\$ -	\$ -	\$ -	\$ 980,070
Mortgage payable	4,616	4,616	18,411	-	27,643
Loans payable	-	575,687	-	-	575,687
Debenture	-	-	1,077,899	-	1,077,899
	<u>\$ 984,686</u>	<u>\$ 580,303</u>	<u>\$ 1,096,310</u>	<u>\$ -</u>	<u>\$ 2,661,299</u>

**c) Interest rate risk**

Interest rate risk is the risk borne by an interest-bearing asset or liability as a result of fluctuations in interest rates. The Company currently has no assets or liabilities subject to fluctuating rates of interest and consequently, the Company is of the opinion that interest rate risk is currently nominal.

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**18. Related Party Transactions:**

In addition to balances and transactions described elsewhere in these financial statements, the Company had the following balances with officers and directors of the Company and companies or professional firms with which officers or directors are associated:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Companies affiliated with key management personnel	\$ -	\$ 46,793
Companies controlled by directors (payables)	184,016	13,822
	<b>\$ 184,016</b>	<b>\$ 60,615</b>

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

During the year, the directors of the Company approved an interest rate of 6% (2018 – 6%) per annum on up to \$600,000 (2018 - \$400,000) borrowed from companies controlled by the Chief Executive Officer of the Company. During 2019, \$168,500 (2018 - \$239,000), was advanced to the Company and \$27,982 (2018 - \$16,511) in accrued interest was recorded for the year ending December 31, 2019.

The following is a summary of the loans payable balance:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Principal:		
Private company 1	\$ 507,500	\$ 359,000
Private company 2	20,000	-
	<b>527,500</b>	<b>359,000</b>
Accrued interest:		
Private company 1	48,161	20,205
Private company 2	26	-
	<b>48,187</b>	<b>20,205</b>
	<b>\$ 575,687</b>	<b>\$ 379,205</b>

During the year, the Company agreed to reimburse a company controlled by a director of the Company for legal costs associated with the Company's dispute with Dentons and former directors up to \$280,000. As at December 31, 2019, \$152,168 is included in amounts due to related parties (Note 8), \$97,500 is included in provisions (Note 9) and \$242,878 has been recognized as professional fees.

During the year, the Company incurred the following transactions with officers of the Company and companies or professional firms with which officers are associated:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Rent	\$ 6,000	\$ 6,000
Interest on debenture	61,013	57,560
Interest on loans payable	27,982	16,511
Consulting fees (Recovery)	-	(12,050)
Professional fees	-	11,016
	<b>\$ 94,995</b>	<b>\$ 79,037</b>

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount agreed to by the related parties.

Also see notes 10 and 12.

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**19. Non-cash Transactions:**

During the year ending December 31, the Company incurred the following non-cash transactions that are not reflected in the statement of cash flows:

	<b>Year Ending</b>	
	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Depreciation included within exploration and evaluation assets	\$ 2,995	\$ 3,241
Exploration and evaluation expenditures included in accounts payable and accrued liabilities	200,065	-

**20. Additional Information:**

On August 28, 2018, Dentons Canada filed a Notice of Civil Claim in the Supreme Court of British Columbia seeking judgement against the Company in the amount of \$227,837 in respect of outstanding invoices for legal services. On September 27, 2018, the Company filed a Response to Civil Claim and a Counterclaim against Dentons Canada and one of its partners seeking damages for breaches of duty.