

PURE EXTRACTION CORP.

(formerly FITCH STREET CAPITAL CORP.)

FINANCIAL STATEMENTS

For the Years Ended March 31, 2020 and 2019

(Expressed in Canadian Dollars)

SAM S. MAH INC.

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INDEPENDENT AUDITOR'S REPORT

To: The Shareholders of
Pure Extraction Corp. (formerly Fitch Street Capital Corp.)

Opinion

I have audited the financial statements of Pure Extraction Corp. (formerly Fitch Street Capital Corp.) (the "Company"), which comprise the statements of financial position as at March 31, 2020 and 2019, and the statement of loss and comprehensive loss, statement of cash flows and statement of changes in shareholders' equity for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

I draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of \$597,047 during the year ended March 31, 2020 and, as of that date, the Company had not yet achieved profitable operations, had accumulated losses of \$1,339,751 since its inception, and expects to incur further losses in the development of its business. 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. My opinion is not modified in respect of this matter.

Other Information

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

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

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I 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 IFRSs, 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

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that I 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 my independence, and where applicable, related safeguards.

The engagement practitioner on the audit resulting in this independent auditor's report is Sam S. Mah, CPA, CA.

“Sam S. Mah Inc.”

Chartered Professional Accountant

Suite 2001 – 1177 West Hastings Street
Vancouver, BC, Canada V6E 2K3
September 14, 2020

PURE EXTRACTION CORP. (formerly Fitch Street Capital Corp.)
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	<u>March 31,</u> <u>2020</u>	<u>March 31,</u> <u>2019</u>
Current			
Cash		\$ 334,576	\$ 262,429
Other receivables	3	30,845	12,798
Advances to Pure Extraction Ltd.	4	<u>221,957</u>	<u>208,157</u>
		<u>\$ 587,378</u>	<u>\$ 483,384</u>
Current			
Accounts payable	5	\$ 5,126	\$ 14,165
Accrued liabilities		<u>65,550</u>	<u>66,500</u>
		<u>70,676</u>	<u>80,665</u>
Share capital	6	1,426,911	919,731
Contributed surplus	6	429,742	225,892
Deficit	6	<u>(1,339,951)</u>	<u>(742,904)</u>
		<u>516,702</u>	<u>402,719</u>
		<u>\$ 587,378</u>	<u>\$ 483,384</u>

Nature of Operations and Ability to Continue as a Going Concern – Note 1

APPROVED BY THE DIRECTORS:

<u>“Balraj Mann”</u> Balraj Mann	Director	<u>“Alicia Milne”</u> Alicia Milne	Director
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The accompanying notes are an integral part of these financial statements

PURE EXTRACTION CORP. (formerly Fitch Street Capital Corp.)
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the Years Ended March 31, 2020 and 2019
(Expressed in Canadian Dollars)

	Note	For the year ended	
		March 31, 2020	March 31 2019
Operating Expenses			
Accounting, audit and legal	5	\$ 28,800	\$ 16,795
Listing and filing fees		11,981	16,279
Office and miscellaneous	5	21,059	18,331
Stock-based compensation		221,000	-
Transaction costs		307,508	39,121
Transfer agent fees		4,597	5,447
Travel		2,192	-
Write-off of prior year's accounts payable		-	(8,712)
Write-off of receivables		-	-
		597,047	87,261
Net income (loss) and comprehensive income (loss) for the year			
		\$ (597,047)	\$ (87,261)
Basic and diluted gain (loss) per share			
		\$ (0.04)	\$ (0.03)
Weighted average number of shares outstanding			
		15,165,632	12,932,945

The accompanying notes are an integral part of these financial statements

PURE EXTRACTION CORP. (formerly Fitch Street Capital Corp.)
STATEMENTS OF CASH FLOWS
For the Years Ended March 31, 2020 and 2019
(Expressed in Canadian Dollars)

	<u>For the Year Ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Cash Flows provided by (used in) Operating Activities		
Net income (loss) for the year	\$ (597,047)	\$ (87,261)
Items not affecting cash		
Stock-based compensation	221,000	
Write-off of prior year's accounts payable	-	(8,712)
Changes in non-cash working capital items related to operations:		
Other receivables	(18,047)	(1,770)
Accounts payable and accrued liabilities	(9,989)	49,618
Net cash used in operating activities	<u>(404,083)</u>	<u>(48,233)</u>
Cash Flows provided (used in) Investing Activities		
Advances to Pure Extraction Ltd.	(13,800)	(208,157)
Net cash used in investing activities	<u>(13,800)</u>	<u>(208,157)</u>
Cash Flows provided by Financing Activity		
Shares issued for cash	500,000	-
Share issuance costs	(40,000)	-
Exercise of brokers' options	30,030	-
Net cash provided by financing activities	<u>490,030</u>	<u>-</u>
Increase (decrease) in cash during the year	72,147	(256,390)
Cash, beginning of the year	262,429	518,819
Cash, end of the year	\$ <u>334,576</u>	\$ <u>262,429</u>

The accompanying notes are an integral part of these financial statements

PURE EXTRACTION CORP. (formerly Fitch Street Capital Corp.)
STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
For the Years Ended March 31, 2020 and 2019
(Expressed in Canadian Dollars)

	<u>Number of Shares</u>	<u>Common Shares</u>	<u>Contributed Surplus</u>	<u>Deficit</u>	<u>Total Shareholders' Equity</u>
Balance, March 31, 2018	12,623,082	\$ 919,731	\$ 225,892	\$ (655,643)	\$ 489,980
Net loss for the year	-	-	-	(87,261)	(87,261)
Balance, March 31, 2019	<u>12,623,082</u>	<u>\$ 296,331</u>	<u>\$ 112,892</u>	<u>\$ (742,904)</u>	<u>\$ 402,719</u>
Balance, March 31, 2019	12,623,082	\$ 296,331	\$ 112,892	\$ (742,904)	\$ 402,719
Shares issued for cash	3,703,703	500,000	-	-	500,000
Share issuance costs	-	(40,000)	-	-	(40,000)
Share issuance costs, brokers warrants	-	(45,000)	45,000	-	-
Brokers' options exercised	429,000	30,030	-	-	30,030
Fair value of brokers' options	-	62,150	(62,150)	-	-
Stock-based compensation	-	-	221,000	-	221,000
Net loss for the year	-	-	-	(597,047)	(597,047)
Balance, March 31, 2020	<u>16,755,785</u>	<u>\$ 1,426,911</u>	<u>\$ 429,742</u>	<u>\$ (1,339,951)</u>	<u>\$ 516,702</u>

The accompanying notes are an integral part of these financial statements

Note 1 Nature of Operations

The Company was incorporated under the Business Corporations Act of British Columbia on June 20, 2007. The Company is in the development stage and was classified and listed as a Capital Pool Company as defined by Policy 2.4 (the "CPC Policy") of the TSX Venture Exchange (the "Exchange") on June 13, 2008.

The Company was required to complete a Qualifying Transaction (as defined under the policies of the Exchange) by September 14, 2010. The Company did not complete a Qualifying Transaction within the prescribed time frame and trading in its shares was suspended by the TSX-V. During the year ended March 31, 2011, the Company was transferred to the NEX.

The address of the Company's corporate office and principal place of business is Suite 440 – 755 Burrard Street, Vancouver, British Columbia V6Z 1X6.

Going Concern

While the Company's financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due, certain conditions and events cast significant doubt on the validity of this assumption. For the year ended March 31, 2020, the Company reported a net loss of \$597,047 (2019 - \$87,261) and as at that date had an accumulated deficit of \$1,339,951 (March 31, 2019 - \$742,904). As of March 31, 2020, the Company has a net working capital of \$516,702 (March 31, 2019 - \$402,719). The Company expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they become due.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material. The directors of the Company have approved these financial statements.

Note 2 Significant Accounting Policies

(a) Statement of Compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

These financial statements were authorized for issue on September 14, 2020 by the directors of the Company.

(b) Basis of Measurement

These financial statements have been prepared on a historical cost basis using the accrual basis accounting, except for cash flow information.

Note 2 Significant Accounting Policies – (cont'd)

(c) Critical Accounting Estimates, Judgments and Uncertainties

The Company makes estimates about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Critical Accounting Estimates and Assumptions

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year.

Critical Accounting Judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

The Company has not recorded any deferred tax assets.

(d) Functional and Presentation Currency

The Company's functional currency is the Canadian Dollar ("CAD"). The financial statements are presented in CAD which is the Company's presentation currency, unless otherwise noted.

All amounts in these financial statements are rounded to the nearest dollar.

(e) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and short-term, highly liquid investments with original maturities of three months or less that is readily convertible to known amounts of cash and subject to insignificant risk of change in value.

(f) Income Taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Note 2 Significant Accounting Policies – (cont'd)

(f) Income Taxes – cont'd

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(g) Financial Instruments

The Company has adopted IFRS 9, Financial Instruments. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through Other Comprehensive Income (“OCI”), or through profit or loss), and
- Those to be measured after initial recognition at amortized cost.

The classification depends on the Company’s business model for managing the financial assets and contractual terms of the cash flows. For assets measured at fair value, gains or losses are recorded in profit or loss or OCI. The Company has classified its cash at fair value through profit or loss. The company’s advances and receivables are held at amortized cost.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVTPL”), the transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. There are the measurement categories under which the Company classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in

Note 2 Significant Accounting Policies – (cont'd)

(g) Financial Instruments-cont'd

profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair value through OCI (“FVOCI”): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included as finance income using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the Statement of Loss and Comprehensive Loss in the period which it arises.

Impairment of Financial Assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial risk has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Financial Liabilities

The Company classifies its financial liabilities into the following categories: financial liabilities at FVTPL and amortized cost.

A financial liability is classified as FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized costs are recognized in profit or loss as incurred. The fair value changes to financial liabilities at FVTPL are presented as follows: the amount of change in fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of the change in the fair value is presented in profit or loss. The Company does not designate any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest rate method. The Company classifies its accounts payable and accrued liabilities, loans payable and due to related parties are classified as financial liabilities held at amortized cost.

The adoption of IFRS 9 did not impact the carrying value of any financial asset or financial liability on the transition date. The table below illustrates the change in classification of the Company's financial instruments under IAS 39 and IFRS 9.

Note 2 Significant Accounting Policies – (cont'd)*(g) Financial Instruments-cont'd*

Line Item	IFRS9	IAS 39	
	New Classification	Original Classification	Measurement Model
Cash	FVTPL	FVTPL	FVTPL
Other receivables	Amortized	Loans and receivables	Amortized cost
Advances to Pure Extraction Ltd.	Amortized cost	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Other liabilities	Amortized cost

(h) Leases

IFRS 16 introduces a single lessee accounting model and requires lessees to recognize assets and liabilities for all leases, except when the term is 12 months or less or when the underlying asset has a low value. The Company will apply the standard retrospectively with the cumulative effect of initially applying the standard recognized as an adjustment to the opening balance of retained earnings or deficit at that date, subject to permitted practical expedients. Therefore, the Company will not restate comparative information.

The Company recognizes a right-of-use asset and a lease liability for its leases with lease terms greater than one year. The right-of-use asset is measured at cost and depreciated over its estimated useful life. At the commencement date, the lease liability is measured as the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease or if that rate cannot readily be determined, the Company's incremental borrowing rate. If the lease terms are subsequently changed, the present value of the lease liability is remeasured using the revised lease terms and applying the appropriate discount rate to the remaining lease payments. The Company recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However,

of the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the remeasurement in profit or loss. The new standard is effective for annual periods beginning on or after January 1, 2019 and has been adopted without material effect to these financial statements.

Note 2 Significant Accounting Policies – (cont'd)

(j) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and share purchase warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or warrants are shown in equity as a deduction, net of tax, from the proceeds.

The Company engages in equity financing transactions to obtain the funds necessary to continue operations. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing price on the measurement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded in contributed surplus.

(k) Share-based Payments

The cost of incentive share options and other equity-settled share-based compensation and payment arrangements with employees, directors, officers and consultants are recorded based on the estimated fair-value at the grant date and charged to earnings over the vesting period. Where incentive share options are subject to vesting, each vesting tranche is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by a charge to earnings, with a corresponding increase to contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

(l) Earnings/Loss per Share

Basic earnings/loss per share is computed by dividing the net income or loss attributable to common shareholders of the Company by weighted average number of common shares outstanding for the relevant period. Diluted earnings/loss per share is computed by adjusting the net income or loss attributable to common shareholders dividing by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments such as warrants and options were exercised.

Note 3 Other Receivables

	March 31,	March 31,
	2020	2019
HST/GST receivable	\$ 23,845	\$ 5,798
Other receivables	7,000	7,000
	\$ 30,845	\$ 12,798

The Company qualifies for the Harmonized Sales Tax (HST) input tax credits in the amount of \$23,845 (March 31, 2019 - \$5,798), which may change pursuant to an audit by the taxation authorities.

Note 4 Advances to Pure Extraction Ltd. -(See Note 10-Subsequent Events)

On October 2, 2018, the Company entered into a Letter of Intent (the “LOI”) with Pure Extraction Inc. and Pure Extraction Ltd. (together known as the “Targetcos” or “Pure Extraction”), the shareholders of Pure Extraction Ltd., and the shareholders of Pure Extraction Inc. to acquire all of the shares of the Targetcos. Pursuant to the LOI, the Company advanced Pure Extraction Ltd. \$25,000 on October 26, 2018.

On December 17, 2018, the Company entered into a definitive Share Exchange Agreement (the “Agreement”) with the Targetcos, the shareholders of Pure Extraction Ltd., and the shareholders of Pure Extraction Inc. with respect to the proposed acquisition of the Targetcos by the Company (the “Transaction”).

On June 12, 2020, the Company completed the Transaction.

Summary of the Transaction

Under the terms of the Transaction, Fitch will acquire all of the issued and outstanding shares of the Targetcos (the “Pure Shares”) from the shareholders of Targetcos. In consideration for the Pure Shares, Fitch will issue to the shareholders of the Targetcos pro rata an aggregate of 3,000,000 common shares of the Company (the “Fitch Shares”) at a deemed value of \$0.165 per share. In addition, Fitch will issue to the shareholders of the Targetcos pro rata an aggregate of 1,000,000 Fitch Shares if the Targetcos generate cumulative gross revenues greater than \$2,000,000 within 18 months from execution of the Agreement at a deemed value of \$0.165 per share.

The Transaction is subject to a number of conditions precedent, including the approval of the TSX Venture Exchange (the “Exchange”).

Upon closing, the name of Company will be changed to “Pure Extraction Corp.” or such other name which is acceptable to the directors of Fitch and the Targetcos, the Exchange and the registrar of companies for British Columbia.

All Fitch Shares issued pursuant to the Transaction will be subject to restrictions on resale as set out in the Agreement and may be subject to Exchange-imposed restrictions on resale. Some of the Fitch Shares to be issued to the shareholders of the Targetcos pursuant to the Transaction may also be subject to time escrow provisions imposed pursuant to the policies of the Exchange.

The Transaction is expected to qualify as the Company’s Qualifying Transaction (the “Qualifying Transaction”). Since Fitch and the Targetcos are arm’s length to each other, Fitch is not required to obtain shareholder approval for the Transaction.

Concurrent Financing

Concurrent with the closing of the Transaction, Fitch intends to complete a concurrent financing of \$2,000,000 (the “Concurrent Financing”) through the issuance of up to 14,814,815 common shares of the Company at a price of \$0.135 per common share.

Note 4 Advance to Pure Extraction Ltd. – (See Note 10-Subsequent Events) - cont'd

The net proceeds of the Concurrent Financing will be used to fund the acquisition of the Targetcos', costs associated with the Qualifying Transaction and to provide general working capital. Subsequent to March 31, 2020, the Company completed the Concurrent Financing for gross proceeds of \$2,430,000.

Finders' Fee and Consulting Fee

Subject to Exchange approval, Fitch anticipates issuing an aggregate of 345,454 Fitch Shares to certain arm's length third parties as finders' fees and consulting fees payable in connection with the Transaction in accordance with Exchange policies.

In addition, the Company will pay finder's fees of 8% cash and 8% finders' warrants in connection with the Concurrent Financing and the Bridge Financing in accordance with applicable securities laws and the policies of the Exchange. Each finders' warrant payable will allow the holder to purchase a Fitch Share at a price of \$0.135.

Secured Loan

Subject to prior acceptance of the Exchange and the satisfaction of all conditions of the Exchange in respect of the same, Fitch has agreed to provide a secured loan to the Targetcos in the principal amount up to \$225,000 (the "Loan"). The proceeds of the Loan shall be used by the Targetcos to fund its operating expenses. The Loan shall accrue interest at a rate of 10% per annum, compounded annually and will become due at the earliest of the receipt of final approval of the Exchange of the Qualifying Transaction or June 1, 2019 unless sooner determined due to the occurrence of an event or default, or extended by the Lender as set out in the loan agreement dated November 21, 2018 between the Targetcos and Fitch. The Loan will be secured by a general security agreement and any other security that Fitch may reasonably require from the Targetcos from time to time.

Note 5 Related Party Transactions

During the year ended March 31, 2020 the Company incurred \$18,000 (2019 - \$18,000) in rent expense to a company owned by a director and senior officer. As at March 31, 2020, \$4,650 (March 31, 2019 - \$9,375) were indebted to the aforementioned company. These transactions have been recorded at the fair value which is the amount of consideration established and agreed to by the related parties.

Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include executive and non-executive directors. Key management personnel compensation disclosed above comprised the following:

	March 31, 2020	March 31, 2019
CEO & CFO	-	-
Stock-based compensation	203,000	-
	<u>\$ 203,000</u>	<u>\$ -</u>

Note 6 Share Capital**a) Authorized**

Unlimited number of common voting shares without par value.

b) Issued and outstanding

A summary of changes in share capital is contained on the statement of changes in shareholders' equity for the years ended March 31, 2020 and 2019.

c) Share Purchase Warrants

There were no share purchase warrants transactions during the years ended March 31, 2019 and 2018. As at March 31, 2020 and 2019, the Company had no warrants outstanding and exercisable.

d) Stock Options

The Company has a stock option plan under which it is authorized to grant options to directors, employees and consultants for up to a maximum 10% of the issued and outstanding common shares of the Company. The exercise price shall not be less than the discounted market price of the Company's shares as at grant date. The options may be granted for a maximum term of 5 years. Options granted to directors, employees and consultants, other than the consultants engaged in investor relations activities, will vest fully upon the expiry of the hold period four months from the award date.

Options granted to consultants engaged in investor activities will vest in stages over a minimum period of twelve months.

During the year ended March 31, 2020, the Company granted 1,260,000 incentive stock options with an exercise price of \$0.165. The fair value of these options was calculated at \$221,000 and was determined on the date of issuance using the Black-Scholes Option Pricing Model with the following assumptions: 1.54% risk-free interest rate, expected life of 5 years, 192% annualized volatility and 0% dividend rate.

As at March 31, 2020, the following stock options were outstanding and exercisable:

Expiry Date	Weighted Average Exercise price	Number of options outstanding	Weighted Average Remaining Years
July 19, 2024	\$ 0.165	1,260,000	4.81

e) Escrow Shares:

As at March 31, 2020, 1,358,332 common shares were subject to an escrow agreement to be released in accordance with the CPC policy guidelines. Under the escrow agreement, 10% of the shares will be released on the issuance of the Final Exchange Bulletin (the Exchange's acceptance of the Qualifying Transaction) and an additional 15% will be released on each of the dates which are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the initial release.

Note 6 Share Capital – (cont'd)*f) Private placement*

During the year ended March 31, 2020, the Company completed a private placement for gross proceeds of \$500,000 through the issuance of 3,703,730 shares of the company at a price of \$0.135 per share. In connection with the private placement, the Company paid a finders' fee of \$40,000 cash and 296,296 brokers' options, each option allowing the holder to acquire one common share at a price of \$0.135 for a period of 24 months.

g) Brokers' options

During the year ended March 31, 2020, the Company issued 296,296 brokers' options as finders' fees. The brokers' options allowed the holder to acquire for \$0.135 per option, one common share for a period of 24 months. The fair value of these options was calculated at \$45,000 and was determined on the date of issuance using the Black-Scholes Option Pricing Model with the following assumptions: 1.58% risk-free interest rate, expected life of 2 years, 192% annualized volatility and 0% dividend rate.

During the year ended March 31, 2020, the Company received \$30,030 from the exercise of 429,000 brokers' options; 351,000 brokers' options expired, unexercised. The fair value of the 429,000 options exercised was calculated at \$62,150 and was determined on the date of issuance using the Black-Scholes Option Pricing Model with the following assumptions: 1.83% risk-free interest rate, expected life of 2 years, 134% annualized volatility and 0% dividend rate.

	Number	Weighted Average Price
Number outstanding at March 31, 2018	-	-
Granted	780,000	\$0.070
Number outstanding at March 31, 2019	780,000	\$0.070
Granted	296,296	\$0.135
Exercised	(429,000)	\$0.070
Expired	(351,000)	\$0.070
Number outstanding at March 31, 2020	296,296	\$0.135

As at March 31, 2020, the following brokers' options were outstanding:

Expiry Date	Weighted Average Exercise Price	Number of brokers' options	Weighted Average Remaining Years
July 30, 2021	\$0.135	296,296	1.30

Note 7 Financial Instruments and risk

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

a) Capital Risk

The Company manages its capital to ensure that there are adequate capital resources for the Company to identify, evaluate and negotiate the acquisition of an interest in properties, assets or a business which is considered a Qualifying Transaction. The capital structure of the Company consists primarily of cash and share capital.

Note 7 Financial Instruments and risk – cont'd

b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash is exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. As at March 31, 2020, the Company is not exposed to any significant credit risk.

c) Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. The Company may seek additional financing through equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all.

d) Market Risk

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. It is the responsibility of the Company to identify, evaluate and negotiate the acquisition of an interest in properties, assets or a business which is considered a Qualifying Transaction.

i) Interest Rate Risk

The Company's interest rate risk mainly arises from changes in the interest rates on cash. Cash generates interest based on market interest rates. At March 31, 2020, the Company was not subject to significant interest rate risk.

ii) Foreign Currency Risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. As the Company is in the stage of identifying, evaluating and negotiating the acquisition of an interest in properties, assets or a business which is considered a Qualifying Transaction, the Company is not exposed to foreign currency risk at this time.

iii) Price Risk

The Company is not exposed to price risk with respect to commodity pricing.

The Company provides information about financial instruments that are measured at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data

Note 7 Financial Instruments and risk – cont'd

The following table presents the financial instruments recorded at fair value in the statement of financial position, classified using the fair value hierarchy:

	Level			Total financial assets at fair value
	1	2	3	
Financial Assets				
Cash	\$ 334,576	\$ -	\$ -	\$ 334,576
	\$ 334,576	\$ -	\$ -	\$ 334,576

Note 8 Capital Risk Management

The Company's objectives when managing capital are: to safeguard the Company's ability to continue as a going concern; to maintain optimal capital structure, while ensuring the Company's strategic objectives are met and to provide an appropriate return to shareholders relative to the risk of the Company's underlying assets.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, stock options and deficit.

The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, selling and/or acquiring assets, and controlling its capital expenditures program.

The Company's primary activities are to identify, evaluate and negotiate the acquisition of an interest in properties, assets or a business which is considered a Qualifying Transaction. As such, the Company is dependent on existing working capital to fund its activities and raise additional amounts as needed and if available.

Management reviews its capital management approach on an ongoing basis. The Company is not subject to any externally imposed capital requirements.

Note 9 Income Taxes

A reconciliation of the income tax provision computed at the combined federal and provincial statutory rates to the reported income tax provision is as follows:

	<u>2020</u>	<u>2019</u>
	27.0%	27.0%
Statutory tax rate		
Expected income tax recovery	\$ (161,000)	\$ (27,000)
Decrease in income tax recovery resulting from:		
Effect of reduction in statutory rate	-	-
Change in the valuation allowance for future income tax assets	161,000	27,000
Future income tax recovery	\$ -	\$ -

Note 9 Income Taxes – (cont'd)

Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

	<u>2020</u>	<u>2019</u>
Future income tax assets:		
Non-capital losses carried forward	\$ 355,000	\$ 247,000
Non-deducted financing costs	15,000	9,000
	<u>370,000</u>	<u>256,000</u>
Valuation allowance for future income tax assets	<u>(370,000)</u>	<u>(256,000)</u>
	<u>\$ -</u>	<u>\$ -</u>

The Company has recorded a valuation allowance against its future income taxes based on the extent to which it is more likely than not that sufficient taxable income will be realized during the carry forward period to utilize all the future tax assets.

In addition, the Company has accumulated non-capital losses totaling 1,314,000 that are available to reduce taxable income of future years. The non-capital losses expire as follows:

2028	\$ 16,000
2029	53,000
2030	178,000
2031	91,000
2032	76,000
2033	60,000
2034	48,000
2035	55,000
2036	67,000
2037	72,000
2038	105,000
2039	98,000
2040	<u>395,000</u>
	<u>\$ 1,314,000</u>

These losses are unconfirmed subject to assessment of the Company's annual tax return by the Canada Revenue Agency.

Note 10 Subsequent Events

- a) Since March 31, 2020, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.
- b) On June 12, 2020, the Company completed its Qualifying Transaction (the “Transaction”) with Pure Extraction Inc. and Pure Extraction Ltd. (collectively, “Pure Extraction”). The Company acquired all of the issued and outstanding Pure Extraction shares from the shareholders of Pure Extraction. In consideration for the Pure Extraction shares, the Company issued to the shareholders of Pure Extraction pro rata an aggregate of 3,000,000 common shares of the Company (the “Common Shares”) at a deemed value of \$0.165 per common share. In addition, the Company will issue to the shareholders of Pure Extraction pro rata an aggregate of 1,000,000 Common Shares if Pure Extraction generates cumulative gross revenues greater than \$2,000,000 within 18 months from execution of the Share Exchange Agreement (dated December 17, 2018) at a deemed value of \$0.165 per Common Share.
- c) On June 12, 2020, the Company changed its name to Pure Extraction Corp.
- d) On June 12, 2020, the Company completed a non-brokered placement (the “Concurrent Financing”) of 18,000,000 common shares in the capital of the Company at a price of \$0.135 per Common Share to raise aggregate gross proceeds of \$2,430,000. The Company intends to use the proceeds from the Concurrent Financing to carry out its business objectives and for general working capital requirements during the twelve-month period following the date of closing of the Transaction. In connection with the Concurrent Financing, the Company paid finders’ fees to Canaccord Genuity Corp. consisting of \$194,400 and issued 1,440,000 brokers’ options, each option allowing the holder to acquire one common share at price of \$0.135 for a period of 24 months. The Company issued an aggregate of 345,454 common shares to Canaccord Genuity Corp. as a finders’ fee payable in connection with the Qualifying Transaction in accordance with Exchange policies.
- e) On July 27, 2020, the Company granted incentive stock options to directors, officers and consultants to acquire up to an aggregate of 500,000 common shares of the company at an exercise price of \$0.30 per option. The options are exercisable on or before July 27, 2025. The stock option grant has been granted in accordance with the company’s stock option plan. Securities to be issued upon exercise of the stock options are subject to a four-month hold period from the original date of grant, in accordance with the policies of the TSX Venture Exchange.