King's Bay Resources Corp.
(An Exploration Company)

Financial Statements

Year Ended December 31, 2020

(Expressed in Canadian Dollars)

Independent Auditor's

To the Shareholders of King's Bay Resources Corp.:

Opinion

We have audited the financial statements of King's Bay Resources Corp. (the "Company"), which comprise the statements of financial position as at December 31, 2020 and December 31, 2019, and the statements of operations and 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, 2020 and December 31, 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2020 and, as of that date, the Company had a working capital deficiency and an accumulated losses. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, 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 Management's Discussion and Analysis.

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

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

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

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

In preparing the financial statements, management is responsible for assessing the 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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

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

Vancouver, British Columbia

MNP LLP

April 14, 2021

Chartered Professional Accountants

MNP

King’s Bay Resources Corp.
Statements of Financial Position
As at December 31, 2020 and 2019
Expressed in Canadian dollars

		2020		2019
Assets				
Current				
Cash	$	**3,187**	$	-
GST and other receivables		**1,532**		2,244
	$	**4,719**	$	2,244
Liabilities				
Current				
Accounts payable and accrued liabilities (Note 8)	$	**477,305**	$	155,182
Subscription received		**25,000**		25,000
Convertible promissory notes payable (Note 6d)		**116,369**		136,441
		618,674		316,623
Shareholders’ Equity				
Share capital (Note 6b)		**19,865,083**		19,865,083
Equity portion of convertible notes (Note 6d)		**57,324**		19,731
Reserves (Note 7)		**424,250**		424,250
Deficit		**(20,960,612)**		(20,623,443)
		(613,955)		(314,379)
	$	**4,719**	$	2,244

Note 2 – Going concern
Note 13 – Subsequent events

Approved and authorized by the Board of Directors on April 14, 2021:

“Kevin Bottomley” — President, Director

“Nick Rodway” — Director

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

King's Bay Resources Corp.

Statements of Operations and Comprehensive Loss
For the years ended December 31, 2020 and 2019
Expressed in Canadian dollars

		2020		2019
Expenses				
Accounting and audit fees	$	**22,500**	$	14,750
Accretion expense (Note 6d)		**32,240**		13,672
Administrative fees (Note 10)		**125,000**		49,500
Advertising and promotions		**747**		20,546
Consulting fees and salaries (Note 8)		**109,000**		238,064
Filing fees		**12,064**		28,095
Legal fees		**20,906**		119,550
Office and general expenses		**2,887**		10,289
Professional fees		**-**		50,000
Travel and meals		**1,544**		64,202
		326,888		608,668
Other (Income) Expenses				
Gain on settlement of debt		**(1,116)**		-
Extinguish loss (Note 6d)		**11,397**		-
Foreign exchange losses		**-**		11
Write off of loan to S&S		**-**		147,328
Net loss and comprehensive loss for the year		**337,169**		756,007
Basic and diluted loss per share	**$**	**(0.05)**	$	(0.11)
Weighted average number of common shares outstanding – basic and diluted		**6,881,015**		6,881,015

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

King’s Bay Resources Corp.
Statements of Changes in Equity
For the years ended December 31, 2020 and 2019
Expressed in Canadian dollars

	Number of Shares	Share Capital $	Reserves $	Equity portion of convertible note $	Deficit $	Total $
Balance, December 31, 2018	**6,881,015**	**19,866,545**	**424,250**	**-**	**(19,867,436)**	**423,359**
Equity portion of convertible notes (Note 6d)	-	-	-	19,731	-	19,731
Share issuance costs	-	(1,462)	-	-	-	(1,462)
Net loss for the year	-	-	-	-	(756,007)	(756,007)
Balance, December 31, 2019	**6,881,015**	**19,865,083**	**424,250**	**19,731**	**(20,623,443)**	**(314,379)**
Equity portion of convertible notes (Note 6d)	-	-	-	37,593	-	37,593
Net loss for the year	-	-	-	-	(337,169)	(337,169)
Balance, December 31, 2020	**6,881,015**	**19,865,083**	**424,250**	**57,324**	**(20,960,612)**	**(613,955)**

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

King’s Bay Resources Corp.
Statements of Cash Flows
For the year ended December 31, 2020 and 2019
Expressed in Canadian dollars

	2020	2019
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net loss for the year	**$ (337,169)**	$ (756,007)
Adjustments for items not involving cash:		
Write off of loan to S&S	**-**	147,328
Extinguish loss	**11,397**	-
Gain on settlement of debt	**(1,116)**	-
Accretion expense (recovery)	**32,240**	13,672
Changes in non-cash operating working capital:		
GST receivable	**712**	2,456
Loans to S&S	**-**	(147,328)
Accounts payable and accrued liabilities	**297,123**	119,433
Net cash flows from (used in) operating activities	**3,187**	(620,446)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Convertible promissory notes issued	**-**	142,500
Share subscriptions received	**-**	25,000
Share issuance costs	**-**	(1,462)
Net cash flows from financing activities	**-**	166,038
INCREASE (DECREASE) IN CASH	**3,187**	(454,408)
Cash, beginning of year	**-**	454,408
Cash, end of year	**$ 3,187**	$ -

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

1. NATURE OF OPERATIONS

King’s Bay Resources Corp. (“King’s Bay” or the “Company”) was incorporated in Canada pursuant to the *Canada Business Corporations Act* on March 20, 1998. The Company is a public company listed on the NEX board of the TSX Venture Exchange in Canada with the symbol “KBG-H”. The Company has been in the business of acquiring, exploring, developing and evaluating mineral resource properties since incorporation.

On January 29, 2019, the Company incorporated a subsidiary company in Nevada, King’s Bay Holdings (USA) Corp. The Company owns 100% of the issued and outstanding shares of the subsidiary. On January 27, 2020, the Company dissolved the subsidiary company.

On March 29, 2019, the Company entered into an arm’s length agreement to acquire all of the issued and outstanding equity of S&S Company, LLC ("S&S"), which owns and operates the licensed S&S California cannabis production and extraction lab (“Proposed Transaction”). This Proposed Transaction was approved by the shareholders at the Annual and Special Meeting on October 10, 2019, to complete the Company’s business focus from exploration and evaluation of mineral resources to production and extraction of cannabis. Due to the downturn in the Cannabis markets, it was not possible to the secure financing and in March 2020, the parties mutually agreed to terminate the agreement. As a result, the Company wrote off the $147,328 loaned to S&S towards acquisition expenses that was unsecured and interest-free. The Company’s shares have been transferred from Tier 2 to the NEX board effective April 20, 2020 while the Company concentrates on finding a new business opportunity to acquire or develop.

Subsequent to December 31, 2020, the Company consolidated their shares on a 10:1 basis. All share values in these financial statements are shown as post-consolidated values.

The head office, principal address and registered and records office of the Company are located at Suite 1450 – 789 West Pender, Vancouver, BC, Canada, V6C 1H2.

2. GOING CONCERN

The Company has not generated any revenues and has incurred a net loss of $337,169 during the year ended December 31, 2020 (2019 – $756,007) and accumulated losses of $20,960,612 (2019 – $20,623,443) since inception. As at December 31, 2020, the Company has working capital deficiency of $613,955 (2019 – $314,379). These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The application of the going concern concept is dependent upon the Company’s ability to satisfy its liabilities as they become due and to obtain the necessary financing to continue operations, the attainment of profitable mining operations. Management is actively engaged in the review and due diligence on opportunities of merit in the mining sector and is seeking to raise the necessary capital to meet its funding requirements. The conditions described above indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern.

The Company is not expected to be profitable during the ensuring twelve months and therefore must rely on securing additional funds from either debt or equity financings for cash consideration. While the Company is expanding its best efforts to achieve the continued financing, there is no assurance that any such activity will generate sufficient funds for future operations.

2. GOING CONCERN - continued

Early in 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

3. BASIS OF PRESENTATION

Statement of Compliance

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

Basis of Measurement

These financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Basis of Preparation

Prior to January 27, 2020, the Company's financial statements included the accounts of its subsidiary, King's Bay Holdings (USA) Corp. All intercompany transactions and balances and unrealized gains and losses from intercompany transactions were eliminated upon consolidation. The subsidiary was dissolved on January 27, 2020.

Approval of the Financial Statements

The audited financial statements of King's Bay Resources Corp. for the year ended December 31, 2020, were authorized for issue in accordance with a resolution of the directors on April 14, 2021.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

<u>Estimates and assumptions</u>

In particular, information about significant areas of estimation uncertainty considered by management in preparing the financial statements includes:

- The inputs used in assessing the recoverability of deferred tax assets to the extent that the deductible temporary differences will reverse in the foreseeable future and that the Company will have future taxable income.
- The assumptions and inputs used in calculating the fair value of the liability portion of the convertible promissory notes payable.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS - continued

Management judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies from those involving estimations that have the most significant effect on the amounts recognized in the Company's financial statements are as follows:

- Going concern
  Significant judgments used in the preparation of these financial statements include, but are not limited to those relating to the assessment of the Company's ability to continue as a going concern.

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Cash

Cash consists of cash on hand and deposits in banks.

Share-based payment transactions

The Company grants stock options to buy common shares of the Company to directors, officers and employees. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors and officers of the company.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period of the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, differences relating to investments in subsidiaries and associates to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

5. SIGNIFICANT ACCOUNTING POLICIES - continued

Income taxes - continued

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the common shares are issued.

Warrants

Proceeds from issuances by the Company of units consisting of shares and warrants are allocated based on the residual method, whereby the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the shares. If the proceeds from the offering are less than or equal to the estimated fair market value of shares issued, a $nil carrying amount is assigned to the warrants.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method for calculating diluted loss per share. Under this method the dilutive effect on loss per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

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, 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.

Exploration and evaluation assets

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility, and the assessment of commercial viability of an identified resource.

Exploration and evaluation costs incurred prior to obtaining licenses are expensed in the period in which they are incurred. Once the legal right to explore has been acquired, exploration and evaluation costs incurred are capitalized. All capitalized exploration and evaluation costs are recorded at acquisition cost and are monitored for indications of impairment. Where there are indications of a potential impairment, an assessment is performed for recoverability. Capitalized costs are charged to the statement of comprehensive loss to the extent that they are not expected to be recovered.

5. SIGNIFICANT ACCOUNTING POLICIES - continued

Exploration and evaluation assets - continued

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets are tested for impairment and transferred to "Mines under construction". No amortization during the exploration and evaluation phase.

The recoverability of the Exploration and Evaluation assets is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to option its resource properties, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof. The Company performs impairment tests on exploration and evaluation assets when events or circumstances occur which indicate the assets may not be recoverable. Impairment assessments are carried out on a project by project basis with each project representing a single cash generating unit. When impairment indicators are identified, an impairment loss is recognized for any amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and its value in use.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and from its ultimate disposal.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Financial instruments

The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). Financial assets are initially measured at fair value and are subsequently measured at either (i) amortized cost; (ii) fair value through other comprehensive income, or (iii) at fair value through profit or loss.

• Amortized cost

Financial assets classified and measured at amortized cost are those assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are SPPI. Financial assets classified at amortized cost are measured using the effective interest method.

• Fair value through other comprehensive income ("FVTOCI")

Financial assets classified and measured at FVTOCI are those assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise to cash flows that are SPPI. This classification includes certain equity instruments where IFRS 9 allows an entity to make an irrevocable election to classify the equity instruments, on an instrument-by-instrument basis, that would otherwise be measured at fair value through profit or loss ("FVTPL") to present subsequent changes in FVTOCI.

5. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments - continued

- Fair value through profit or loss ("FVTPL")

  Financial assets classified and measured at FVTPL are those assets that do not meet the criteria to be classified at amortized cost or at FVTOCI. This category includes debt instruments whose cash flow characteristics are not SPPI or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell the financial asset.

Financial liabilities are generally classified and measured at fair value at initial recognition and subsequently measured at amortized cost.

The following table summarizes the classification of the Company's financial instruments:

	Classification
Financial Assets	
Cash	FVTPL
Financial Liabilities	
Accounts payable and accruals	Amortized cost
Subscription received	Amortized cost
Convertible promissory notes payable	FVTPL

The financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. Financial liabilities are derecognized when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Expressed in Canadian dollars

6. SHARE CAPITAL

a) Authorized: Unlimited Class A common voting shares with no par value, and
Unlimited Class B common non-voting shares with no par value

b) Issued and Outstanding:

On January 22, 2021, the Company consolidated its shares on a 10:1 basis. All shares shown in these financial statements are at their post-consolidated value. As at December 31, 2020, the Company had 6,881,015 (2019 – 6,881,015) shares issued and outstanding. No shares were issued during the years ended December 31, 2020 and 2019.

c) Warrants

A summary of the Company's outstanding warrants as at December 31, 2020 and 2019 are as follows:

	2020			2019		
	Number of Warrants		Weighted Average Exercise Price	Number of Warrants		Weighted Average Exercise Price
Balance, beginning of year	1,834,179	$	1.00	3,614,849	$	1.10
Expired	(1,834,179)		1.00	(1,780,670)		1.30
Balance, end of year	-	$	-	1,834,179	$	1.00

d) Convertible Promissory Notes Payable

On August 8, 2019, the Company closed its private placement offering of unsecured convertible notes for gross proceeds of $142,500 from several parties, including a director and another related party of the Company. The loans are unsecured, carries an interest rate of 12% and is due in 1 year. The loans are convertible into units at a price of $0.20 per unit. Each unit consists of one common share and one share purchase warrant exercisable for 2 years. Each warrant may be exercised for one common share at a price of $0.35 per share if exercised in the first year and $0.60 per share if exercised in the second year. On August 8, 2020, the Company extended the convertible date of the notes for an additional 12 months.

The initial fair value of the principal portion of the Convertible Debenture was determined using a market interest rate for an equivalent non-convertible instrument at the issue date. The principal portion is subsequently recognized on an amortized cost basis until extinguished on conversion or maturity. The remainder of the proceeds are allocated to the conversion option.

On initial recognition, the unsecured convertible notes of $142,500 were broken down into the following financial components: a financial liability of $122,769 and an equity instrument of $19,731.

During the year ended December 31, 2020, the Company and investors mutually agreed to modify certain terms of the Convertible Debenture. The modifications were assessed to be substantial and therefore accounted for as an extinguishment of the original financial liabilities and recognition of a new financial liability. The Company recognized an extinguish loss of $11,397 (2019 - $Nil), a new equity portion of the modified convertible debentures of $37,593 (2019 - $19,731), and accretion expense of $32,240 (2019 - $13,672).

Subsequent to the year ended December 31, 2020, the Company and investors mutually agreed to cancel their convertible notes. Two of the convertible note holders received the principal and interest payable on February 28, 2021, while the remaining holders all waived the interest payments.

Expressed in Canadian dollars

7. SHARE-BASED PAYMENTS

Options

The Company has a Stock Option Plan (the "Plan") under which it is authorized to grant options to directors, officers, consultants or employees of the Company. At the Company's Annual and Special General Meeting on October 10, 2019, the shareholders approved the "2019 Stock Option Plan", and set the number of options granted under the Plan to not exceed 10% of the issued and outstanding shares. Options granted to employees vest fully on grant. Options issued to investor relations consultants vest in stages over 12 months with one quarter of the options vesting in any three-month period.

The following is a summary of movements in the number of share options outstanding and their related weighted average exercise prices under the Company's stock option plan for the years ended December 31, 2020 and 2019:

	2020		**2019**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	132,500	$ 1.00	194,113	$ 1.10
Cancelled/Expired	-	-	(61,613)	1.35
Balance, end of year	132,500	$ 1.00	132,500	$ 1.00

The following stock options were outstanding and exercisable as at December 31, 2020:

Expiry Date	Exercise Price	**2020** Number of Options Outstanding and Exercisable
September 27, 2022	$1.00	132,500

8. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2020 and 2019, the Company incurred the following transactions to officers or directors of the Company or companies with common directors:

	2020	**2019**
Key management compensation	**$**	**$**
Accounting fees	8,000	-
Salaries and benefits	85,000	102,000

At December 31, 2020, $81,690 (2019 - $23,770) is due to related parties which has been included in accounts payable.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties. The amounts due are unsecured, non-interest bearing, and have no specific terms of repayment.

9. FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument-related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(a) Credit risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash balances. The Company manages its credit risk on bank deposits by holding deposits in high credit quality banking institutions in Canada.

(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 has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

(c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balances and is not exposed to any significant interest rate risk.

(d) Capital management

Capital is comprised of the Company's shareholders' equity and any debt it may issue. As at December 31, 2020, the Company's shareholders' equity was a deficit of $613,955 (2019 – $314,379). The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its operations and business development. 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 has not generated any revenues and cash flows since its inception; therefore, the Company is dependent on external financing to fund its future intended business plan. The capital structure of the Company currently consists of working capital and shareholders' equity. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

Expressed in Canadian dollars

9. FINANCIAL RISK MANAGEMENT - continued

(e) Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. 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.

The level in the fair value hierarchy within which the financial asset is categorized in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The cash is grouped into level 1 and convertible promissory notes payable is grouped into level 2 as at December 31, 2020 and 2019. The principal portion of the convertible debenture is carried at amortized cost.

Financial instruments that are not measured at fair value on the balance sheet are represented by accounts payable and accrued liabilities and subscription received. The fair value of these financial instruments approximates their carrying value due to their short-term nature.

10. MANAGEMENT SERVICE FEE

On January 1, 2020, the Company signed a Management Services Agreement with Zimtu to provide management and administrative services at a rate of $12,500 per month, expiring December 31, 2020. The Company and Zimtu mutually cancelled the agreement effective October 31, 2020.

12. DEFERRED TAXES

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of operations and comprehensive loss for the years ended December 31, 2020 and 2019:

	2020	**2019**
	$	**$**
Net loss before tax	(337,169)	(756,007)
Statutory tax rate	27%	27%
Expected income tax (recovery)	(91,035)	(204,122)
Non-deductible and other items	23,184	31,789
Tax effect of convertible notes	3,974	-
Change in deferred tax asset not recognized	3,878	172,333
Total income tax expense (recovery)	-	-

Expressed in Canadian dollars

12. DEFERRED TAXES – continued

The net deferred tax assets (liabilities) as at December 31, 2020 and 2019 are comprised of the following:

	2020	**2019**
	$	**$**
Non-capital loss carryforwards	7,149	1,636
Convertible promissory notes payable	(7,149)	(1,636)
Total deferred tax assets (liabilities)	-	-

The unrecognized deductible temporary differences as at December 31, 2020 and 2019 are comprised of the following:

		2020		**2019**
Exploration and evaluation assets	$	335,164	$	335,164
Mineral properties		1,122,169		1,122,169
Marketable securities		107,801		107,801
Financing costs		61,251		99,044
Capital losses		218,989		291,962
Non-capital losses		7,457,306		7,156,423
Unrecognized deductible temporary differences	$	9,302,680	$	9,112,563

The Company has non-capital loss carry forwards of approximately $7,457,306 (2019: $7,156,423) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Expiry	Total
2026	542,910
2027	638,118
2028	582,143
2029	495,912
2030	377,922
2031	538,049
2032	424,562
2033	629,007
2034	329,093
2035	106,924
2036	431,085
2037	817,164
2038	764,018
2039	479,278
2040	321,539
Total	$7,457,306

The Company has capital loss carry forwards of approximately $218,989 (2019: $291,962) which may be carried forward indefinitely to apply against future year capital gains for Canadian income tax purposes, subject to the final determination by taxation authorities.

13. SUBSEQUENT EVENTS

a) The Company continues to work towards finding a new business opportunity to acquire or develop.

b) On January 22, 2021, the Company consolidated their shares on a 10:1 basis. All share values in these financial statements are shown as post-consolidated values.

c) On February 24, 2021, the Company announced it had closed its non-brokered private placement financing (the "Financing"), pursuant to which it sold an aggregate of 12,300,000 units (each, a "Unit") at a price of $0.05 per Unit for gross proceeds of $615,000. Each Unit consists of one common share (each, a "Share") and one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable into one common share at a price of $0.10 per Share until February 24, 2022. No finder's fees were issued pursuant to the Financing. Proceeds of the financing are anticipated to be used for general working capital and settlement of debt. The securities issued under the Financing are subject to a statutory hold period expiring on June 25, 2021.

d) On February 24, 2021, the Company announced it had issued a total of 4,790,800 common shares at a deemed price of $0.05 per common share to certain creditors pursuant to certain debt settlement agreements (the "Debt Settlement"). The securities issued under the Debt Settlement are subject to a statutory hold period expiring on June 25, 2021. In addition, 850,000 of the Debt Settlement shares are subject to added hold periods such that 90% are released as to 15% every 6 months commencing August 24, 2021 until the full 90% has been released after 36 months. An Insider of the Company received an aggregate of 815,800 shares under the Debt Settlement.