CLARITY GOLD CORP.
(formerly 1222991 B.C. Ltd.)

FINANCIAL STATEMENTS

FROM INCORPORATION ON SEPTEMBER 11, 2019 TO DECEMBER 31, 2019

(Expressed in Canadian Dollars)

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE DIRECTORS OF CLARITY GOLD CORP.

Opinion

We have audited the financial statements of Clarity Gold Corp. (formerly 1222991 B.C. Ltd.) (the "Company"), which comprise:

- the statement of financial position as at December 31, 2019;
- the statement of operations and comprehensive loss for the period from incorporation on September 11, 2019 to December 31, 2019;
- the statement of changes in shareholders' equity for the period from incorporation on September 11, 2019 to December 31, 2019;
- the statement of cash flows for the period from incorporation on September 11, 2019 to December 31, 2019; and
- the 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 at December 31, 2019, and its financial performance and its cash flows for the 111-day period then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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 1 in the financial statements, which indicates that during the period from incorporation on September 11, 2019 to December 31, 2019, the Company incurred a net loss and comprehensive loss of $40,049 and as at December 31, 2019, has a deficit of $40,049. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion & Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, and remain alert for indications that the other information appears to be materially misstated.

Smythe LLP | **smythecpa.com**

Vancouver
1700 – 475 Howe St
Vancouver, BC V6C 2B3
T: 604 687 1231
F: 604 688 4675

Langley
305 – 9440 202 St
Langley, BC V1M 4A6
T: 604 282 3600
F: 604 357 1376

Nanaimo
201 – 1825 Bowen Rd
Nanaimo, BC V9S 1H1
T: 250 755 2111
F: 250 984 0886

We obtained the Management's Discussion & Analysis prior to the date of this auditors' 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 in this auditors' report. We have nothing to report in this regard.

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

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

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

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

Auditors' 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 auditors' 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Vancouver
1700 – 475 Howe St
Vancouver, BC V6C 2B3
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Langley
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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Kevin Yokichi Nishi.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 19, 2020

Vancouver
1700 – 475 Howe St
Vancouver, BC V6C 2B3
T: 604 687 1231
F: 604 688 4675

Langley
305 – 9440 202 St
Langley, BC V1M 4A6
T: 604 282 3600
F: 604 357 1376

Nanaimo
201 – 1825 Bowen Rd
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CLARITY GOLD CORP. (formerly 1222991 B.C. Ltd.)
STATEMENT OF FINANCIAL POSITION
AS AT
(EXPRESSED IN CANADIAN DOLLARS)

	Notes		December 31, 2019
ASSETS			
Current assets			
Cash		$	145,451
Sales tax receivable			4,022
			149,473
Exploration and evaluation assets	3, 6		90,449
TOTAL ASSETS		**$**	**239,922**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6	$	125,726
TOTAL LIABILITIES			125,726
SHAREHOLDERS' EQUITY			
Share capital	4		154,245
Deficit			(40,049)
TOTAL SHAREHOLDERS' EQUITY			114,196
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**239,922**

On behalf of the Board:

"Andrew Male" Director *"Theo van der Linde"* Director

See accompanying notes to the financial statements

CLARITY GOLD CORP. (formerly 1222991 B.C. Ltd.)
STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)

	Note		Period from Incorporation on September 11, 2019 to December 31, 2019
EXPENSES			
Bank service fees		$	49
Consulting fees	6		22,000
Professional fees			18,000
NET LOSS AND COMPREHENSIVE LOSS		$	(40,049)
Basic and diluted loss per share		$	(0.02)
Weighted average number of common shares outstanding			2,204,054

See accompanying notes to the financial statements

CLARITY GOLD CORP. (formerly 1222991 B.C. Ltd.)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM INCORPORATION ON SEPTEMBER 11, 2019 TO DECEMBER 31, 2019
(EXPRESSED IN CANADIAN DOLLARS)

	Share capital			
	Number of shares	Amount	Deficit	Total
Balance at September 11, 2019 (date of incorporation)	500,000	$ 2,500	$ -	$ 2,500
Shares issued for cash	7,150,000	143,000	-	143,000
Share issue costs	-	(1,255)	-	(1,255)
Shares issued for exploration and evaluation assets	2,000,000	10,000	-	10,000
Net loss for the period	-	-	(40,049)	(40,049)
Balance at December 31, 2019	9,650,000	$ 154,245	$ (40,049)	$ 114,196

See accompanying notes to the financial statements

CLARITY GOLD CORP. (formerly 1222991 B.C. Ltd.)
STATEMENT OF CASH FLOW
(EXPRESSED IN CANADIAN DOLLARS)

		From Incorporation on September 11, 2019 to December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	$	(40,049)
Net change in non-cash working capital accounts		
Sales tax receivable		(4,022)
Accounts payable and accrued liabilities		45,277
Net cash provided by operating activities		1,206
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued for cash		145,500
Share issue costs		(1,255)
Net cash provided by financing activities		144,245
Increase in cash during the period		145,451
Cash, beginning of period		-
CASH, END OF PERIOD	**$**	**145,451**

SUPPLEMENTAL CASH FLOW INFORMATION		
Common shares issued for mineral property (note 4)	$	10,000
Exploration and evaluation asset costs included in accounts payable and accrued liabilities	$	80,449
Interest paid	$	-
Taxes paid	$	-

See accompanying notes to the financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Clarity Gold Corp. (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on September 11, 2019. On November 1, 2019, the Company changed its name from 1222991 B.C. Ltd. to Clarity Gold Corp. The Company's head office is located at 223-1231 Pacific Boulevard, Vancouver, BC, V6Z 0E2, and its registered office is located at 800-885 West Georgia Street, Vancouver, BC, V6C 3H1.

The Company is currently evaluating its exploration and evaluation assets (note 3) and has not determined whether its projects contain reserves that are economically recoverable. The recoverability of amounts recorded for the exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves. The Company's future capital requirements depend on many factors, including costs of exploration and development of the exploration and evaluation assets, cash flow from operations, costs to complete additional exploration, competition and global market conditions.

As the Company is in the exploration stage, no mineral-producing-revenue has been generated to date. The Company is in the process of exploring the Empirical property and it has not yet determined whether the property contains reserves that are economically recoverable. As at December 31, 2019, the Company had not advanced any property to commercial production and is not able to finance day-to-day activities through operations. During the period of incorporation on September 11, 2019 to December 31, 2019, the Company incurred a net loss and comprehensive loss of $40,049 and, as of that date, had an accumulated deficit of $40,049. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. These factors form a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The Company has been successful in the past in raising funds for exploration, but there is no assurance that it will be able to continue to do so.

These financial statements do not give effect to the adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

a) *Statement of compliance*

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The financial statements were authorized for issuance on May 19, 2020 by the directors of the Company.

b) *Basis of presentation*

These financial statements have been prepared on a historical cost basis, except for certain financial instruments classified as financial instruments at fair value through profit or loss, which are stated at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) *Significant accounting judgments, estimates and assumptions*

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. The Company makes estimates and assumptions 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.

Information about critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities included in the preparation of these financial statements are discussed below:

Fair value of common shares issuance - The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining the fair value of assets received when common shares are issued as consideration. If the fair value of assets received or services rendered cannot be reliably measured, the transaction will be recorded at the fair value of common shares issued on the date of issuance.

Impairment of Exploration and Evaluation assets - Assets or cash-generating units ("CGUs") are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's mineral properties.

In respect of costs incurred for its mineral properties, management has determined that the evaluation, development and related costs incurred, which have been capitalized, continue to be appropriately recorded on the statements of financial position at its carrying value as management has determined there are no indicators of impairment for its mineral properties as at December 31, 2019.

Usage of the going concern assumption - The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

d) Exploration and evaluation assets

Upon acquiring the legal right to explore, all costs related to the acquisition, exploration and evaluation of exploration and evaluation assets are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of an exploration and evaluation asset is impaired, that property is written down to its estimated net realizable value. An exploration and evaluation asset is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment of Non-Current Assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices, and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the statement of operations and comprehensive loss.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the statement of operations and comprehensive loss.

f) *Mining exploration tax recoveries*

The Company recognizes mining exploration tax recoveries in the period in which there is reasonable expectation, based on management's estimate, of receiving a refund. The amount of tax credit receivable is subject to review and approval by the taxation authorities and is adjusted for in the period when such approval is confirmed.

g) *Provisions*

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

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

h) *Earnings (loss) per share*

The Company computes the dilutive effect of options, warrants and similar instruments whereby the dilutive effect on earnings or loss per common share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the period presented, this calculation proved to be anti-dilutive. Basic earnings or loss per common share is calculated using the weighted average number of shares outstanding during the period. Shares held in escrow, other than where their release is subject to the passage of time, are excluded from basic earnings or loss per common share until escrow conditions have been removed.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) *Share-based compensation*

Share-based compensation to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees are measured at the fair value of 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, they are recorded to the option reserve at the date the goods or services are received. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration shall be based on the number of equity instruments that eventually vest.

j) *Financial instruments*

Financial Assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss.

Financial assets measured at amortized costs

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost:

- The Company's business model for the such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value recognized in other comprehensive income.

Financial assets measured at fair value through profit or loss ("FVTPL")

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) *Financial instruments* *(continued)*

Financial Liabilities

Financial liabilities are classified as amortized cost, based on the purpose for which the liability was incurred. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemptions, as well as any interest or coupon payable while the liability is outstanding.

Accounts payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Accounts payable amounts are unsecured and are usually paid within forty-five days of recognition.

As at December 31, 2019, the Company's financial instruments are comprised of cash and accounts payable and accrued liabilities.

k) *Common shares*

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 are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

l) *Foreign currency translation*

The Company's reporting currency and the functional currency of all its operations is the Canadian Dollar as this is the principal currency of the economic environment in which the Company operates. The functional currency determination was conducted through an analysis of consideration factors identified in IAS 21, *The Effect of Changes in Foreign Exchange Rates*.

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian Dollar equivalents using foreign exchange rates prevailing at the financial position reporting date. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss.

Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) *Income taxes*

Current income tax:

Current income tax assets and liabilities for the reporting period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

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

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

n) Non-monetary transactions

Shares issued for consideration other than cash are valued at the fair value of assets received or services rendered. If the fair value of assets received or services rendered cannot be reliably measured, shares issued for consideration will be fair valued at the date of issuance.

3. EXPLORATION AND EVALUATION ASSETS

Empirical Property

The Empirical property ("Empirical") consists of 3 unpatented mineral claims which are located in the Lillooet Mining Division of British Columbia, Canada. The Empirical claims are recorded with British Columbia's Mineral Titles Online as being owned by James Rogers, the Company's Director and Chief Executive Officer ("CEO") as bare trustee in favour of a Company owned by Mr. Rogers, Longford Capital Corp. ("Optionor"), pursuant to the terms of a Bare Trust agreement dated April 8, 2019 between the Optionor and Mr. Rogers.

The Company entered into the Empirical property Option Agreement ("Agreement") with the Optionor where the Company can earn a 100% interest in Empirical by making the following payments:

Terms and Due Dates
Issue 2,000,000 common shares by October 22, 2019 (issued at a fair value of $10,000)
Pay $50,000 within 5 days of the common shares being approved for listing on a stock exchange
Incur a minimum of $80,000 in exploration costs on Empirical by October 1, 2020 (incurred)
Incur a minimum of $200,000 in exploration costs on Empirical by October 1, 2021
Grant a 2% net smelter royalty ("NSR") to the Optionor upon exercise of the Agreement

(EXPRESSED IN CANADIAN DOLLARS)

3. EXPLORATION AND EVALUATION ASSETS (continued)

The NSR is payable following commencement of commercial production. The Company has the right to reduce the NSR from 2% to 1% at any time prior to commencement of commercial production by paying $1,500,000 to the Optionor.

In addition to the terms outlined above, the Agreement contains a 5 km area of influence provision pursuant to which any claims staked by the Company within 5 km of the Empirical property boundary will automatically be included as part of the Agreement and subject to the 2% NSR.

The Company issued 2,000,000 common shares valued at $10,000 as acquisition costs and incurred $80,449 for exploration and evaluation costs as described below.

		December 31, 2019
Empirical Property		
Acquisition costs	$	10,000
Administration		10,493
Equipment rentals		2,320
Field expenditures		795
Geological		21,900
Mapping		12,000
Meals and lodging		5,288
Sampling		6,077
Transportation		21,576
	$	90,449

4. SHARE CAPITAL

The authorized share capital consists of an unlimited number of common and preferred shares without par value.

As at December 31, 2019, the total common shares outstanding are 9,650,000. The remaining 9,150,000 common shares will be placed into escrow upon closing of the Company's Initial Public Offering (the "IPO") described below. The escrow agreements provide that 10% of the number of securities held thereunder will be released on closing of the Company's IPO. An additional 15% of the number of securities originally held thereunder shall be released on each of the 6 month, 12 months, 18 months, 24 months, 30 months and 36 months thereafter. These escrow shares may not be transferred, assigned or otherwise dealt without the consent of regulatory authorities.

On September 11, 2019, the Company issued 500,000 founder shares at $0.005 per share for gross proceeds of $2,500.

On October 1, 2019, the Company issued 2,000,000 common shares fair valued at $10,000 pursuant to the Agreement (note 3).

4. SHARE CAPITAL (continued)

On December 31, 2019, the Company completed a private placement of 7,150,000 common shares at $0.02 per share for gross proceeds of $143,000. The Company paid $1,255 in finder's fees in connection with this private placement recorded as share issue costs.

5. FINANCIAL RISK MANAGEMENT

The Company is exposed to minimal 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:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The Company's cash is deposited in a bank account held with a major bank in Canada. As most of the Company's cash is held by a bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high-quality financial institution as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

As at December 31, 2019, the Company had a cash balance of $145,451 and total liabilities of $125,726.

Currency risk

The Company currently has no foreign exchange risk as it conducts all of its business within Canada.

Interest rate risk

The Company is not currently exposed to significant interest rate risk.

Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. 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 its capital structure, the Company may issue new shares, sell assets to settle liabilities or return capital to its shareholders. The Company is not exposed to externally imposed capital requirements and there were no changes in the Company's capital management during the period.

5. FINANCIAL RISK MANAGEMENT (continued)

Classification of financial instruments

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount due to their short-term maturity of the instruments.

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.

6. 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 operation decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resource or obligations between related parties.

Amounts due to related parties consist of charges accrued for consulting, geological and exploration fees. These amounts are due to companies controlled by a director and officers. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

The following amounts due to related parties are included in account payables and accrued liabilities:

	December 31, 2019
To a CEO and Director and to a company controlled by a CEO and Director of the Company	$ 90,449
To the Chief Financial Officer of the Company	2,000
	$ 92,449

The Company has signed an option agreement with a Company controlled by the CEO and Director of the Company to earn a 100% interest in the Empirical property (note 3).

(EXPRESSED IN CANADIAN DOLLARS)

6. RELATED PARTY TRANSACTIONS (continued)

The Company incurred the following transactions with a director and officers of the Company and companies that are controlled by a director/officers of the Company. The Company has identified all directors/officers as its key management personnel.

	Period from incorporation on September 11, 2019 to December 31, 2019
Capitalized exploration and evaluation costs charged by a company controlled by the CEO and Director	$ 80,449
Consulting fees to a CEO and Director	10,000
Consulting fees to the Chief Financial Officer	2,000
	$ 92,449

7. INCOME TAXES

The reconciliation of income taxes at statutory rates with the reported taxes is as follows.

	December 31, 2019
Loss for the period before income taxes	$ (40,049)
Tax rate	27%
Expected income tax recovery	$ (10,813)
Benefits of tax losses not recognized	10,813
Total income tax recovery	$ -

The Company has not recognized any deferred tax assets or liabilities as of December 31, 2019.

As at December 31, 2019, the Company has not recognized the benefit of the following deductible temporary differences:

	December 31, 2019
Non-capital loss carry-forwards expiring in 2039	$41,304
Share issue costs	1,004

8. SEGMENTED INFORMATION

The Company conducts its business as a single operating segment, being the acquisition and exploration of mineral properties. As at December 31, 2019, all the Company's assets were located in Canada.

9. SUBSEQUENT EVENTS

The Company intends to file a preliminary prospectus with the securities regulatory authorities in the Provinces of British Columbia, Alberta and Ontario and with the Canadian Securities Exchange, offering a minimum of 4,770,000 and a maximum of 6,000,000 common shares at $0.175 per share for minimum proceeds of $834,750 and a maximum of $1,050,000 as an IPO (the "Offering").

Pursuant to an agency agreement between the Company and Leede Jones Gable Inc. (the "Agent"), the Agent will receive a cash commission equal to 9% of the gross proceeds. As additional compensation, on the closing the Company has agreed to grant the Agent such number of non-transferable agent options as is equal to 9% of the common shares sold pursuant to the Offering, each of which will be exercisable into one common share at a price of $0.175 per common share for a period of 24 months from closing. The Company has granted to the Agent an option (the "Greenshoe Option"), exercisable by the Agent for a period of up to thirty days from the date of Closing, to purchase up to an additional 15% of the Offering at the offering price to cover over-allotments, if any. In the event the Agent exercises the Greenshoe Option in full, the total offering proceeds will be $1,207,500, the total Agent's Commission will be $108,675 and the net proceeds to the Company will be $1,098,825. The Agent will also be paid a corporate finance fee of $50,000 plus applicable GST and be reimbursed by the Company for expenses, including legal fees, incurred pursuant to the Offering.

The Company intends to adopt a stock option plan once approved by the Board. Options may be granted under the Stock Option Plan to such directors, officers, employees, or consultants of the Company and its affiliates, if any, as the Board may from time to time designate. The exercise price of options will be determined by the Board, but after listing of the Common Shares on the Exchange such price will not be less than the minimum prevailing price permitted by the Exchange. All options granted under the Stock Option Plan will expire not later than the maximum exercise period as determined by the applicable securities laws and the policies of the Exchange. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; (iii) one year from the date of disability; or (iv) one year from the date of death. Options granted under the Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

Subsequent to December 31, 2019, the Company issued 400,000 common shares at $0.10 per share for gross proceeds of $40,000.

Subsequent to December 31, 2019, 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 physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. 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 in future periods.