

NOVO19 CAPITAL CORP.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

(EXPRESSED IN CANADIAN DOLLARS)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Novo19 Capital Corp.:

Opinion

We have audited the financial statements of Novo19 Capital Corp. (the "Company"), which comprise the statements of financial position as at September 30, 2020 and 2019, and the statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) 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 September 30, 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

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 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 for the year ended September 30, 2020 the Company has a working capital deficiency of \$57,949 and has incurred continuing losses resulting in an accumulated deficit of \$3,555,031 at September 30, 2020. 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:

- 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 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, 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 in this auditor's 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 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

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

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

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

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

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

Markham, Ontario
November 13, 2020

"Wasserman Ramsay"

Chartered Professional Accountants
Licensed Public Accountants

NOVO19 CAPITAL CORP.
STATEMENTS OF FINANCIAL POSITION
AT SEPTEMBER, 2020 AND 2019
(Expressed in Canadian Dollars)

| | ASSETS | |
|----------------------------------------------------------|--------------------------------|--------------------|
| | <u>2020</u> | <u>2019</u> |
| Current | | |
| Cash | \$ 8,227 | \$ 6,243 |
| HST receivable | <u>14,673</u> | <u>10,757</u> |
| | <u>22,900</u> | <u>17,000</u> |
| | | |
| Exploration and evaluation assets <i>(Note 3)</i> | <u>1</u> | <u>1</u> |
| | <u>\$ 22,901</u> | <u>\$ 17,001</u> |
| | | |
| | LIABILITIES | |
| Current | | |
| Accounts payable and accrued liabilities <i>(Note 4)</i> | <u>\$ 80,849</u> | <u>\$ 67,179</u> |
| | | |
| | SHAREHOLDERS DEFICIENCY | |
| Capital Stock <i>(Note 7)</i> | | |
| Common shares | 2,369,183 | 2,339,183 |
| Warrants | - | - |
| Other reserves | 1,127,900 | 1,127,900 |
| Deficit | <u>(3,555,031)</u> | <u>(3,517,261)</u> |
| | <u>(57,948)</u> | <u>(50,178)</u> |
| | <u>\$ 22,901</u> | <u>\$ 17,001</u> |

Nature of Operations and Going Concern - Note 1
Subsequent events - Note 14

Approved on behalf of the board:

"David Mitchell"
David Mitchell, Director

"Matthew Goldman"
Matthew Goldman, Director

The accompanying notes form an integral part of these financial statements

**NOVO19 CAPITAL CORP.
 STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
 FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
 (Expressed in Canadian Dollars)**

| | <u>2020</u> | <u>2019</u> |
|----------------------------------------------------------------------|--------------------|--------------------|
| Expenses | | |
| Regulatory fees | \$ 3,679 | \$ 18,208 |
| Write off of stale-dated and forgiven debt | - | - |
| Office and general | 503 | 1,832 |
| Professional fees | 19,993 | 61,370 |
| Shareholder services | <u>13,595</u> | <u>1,500</u> |
| Net loss and comprehensive loss | <u>\$ (37,770)</u> | <u>\$ (82,910)</u> |
| Net loss per share - basic and diluted | <u>\$ (0.003)</u> | <u>\$ (0.010)</u> |
| Weighted average number of shares outstanding - basic and diluted | <u>13,264,237</u> | <u>8,709,976</u> |

The accompanying notes form an integral part of these financial statements

NOVO19 CAPITAL CORP.
STATEMENTS OF CHANGES IN SHAREHOLDER'S DEFICIENCY
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in Canadian Dollars)

| | Common shares | | | | | Total \$ |
|----------------------------|---------------|-------------|----------------|----------------|---------------|-------------|
| | Number | Value \$ | Warrants \$ | Reserves \$ | Deficit \$ | |
| Balance October 1, 2018 | 30,892,731 | 1,848,380 | 25,377 | 1,102,523 | (3,434,351) | (458,071) |
| Net loss for the year | - | - | - | - | (82,910) | (82,910) |
| Private placements - cash | 12,000,000 | 60,000 | - | - | - | 60,000 |
| Private placements - debt | 86,160,600 | 430,803 | - | - | - | 430,803 |
| Consolidation 10:1 | (116,147,996) | - | - | - | - | - |
| Warrants expired | - | - | (25,377) | 25,377 | - | - |
| Balance September 20, 2019 | 12,905,335 | 2,339,183 | - | 1,127,900 | (3,517,261) | (50,178) |
| Net loss for the year | - | - | - | - | (37,770) | (37,770) |
| Private placements - cash | 600,000 | 30,000 | - | - | - | 30,000 |
| Balance September 30, 2020 | 13,505,335 | 2,369,183 | - | 1,127,900 | (3,555,031) | (57,948) |

The accompanying notes form an integral part of these financial statements

**NOVO19 CAPITAL CORP.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in Canadian Dollars)**

| | <u>2020</u> | <u>2019</u> |
|------------------------------------------------------|-----------------|-----------------|
| Cash provided by (used in) the following activities: | | |
| Operating activities | | |
| Net loss for the year | \$ (37,770) | \$ (82,910) |
| Add items not requiring an outlay of cash: | | |
| Changes in Non-cash working capital: | | |
| Taxes receivable | (3,916) | (7,071) |
| Accounts payable and accrued liabilities | <u>13,670</u> | <u>36,224</u> |
| | <u>(28,016)</u> | <u>(53,757)</u> |
| Financing activities | | |
| Common shares issued for cash | <u>30,000</u> | <u>60,000</u> |
| Net change in cash during the period | 1,984 | 6,243 |
| Cash, beginning of period | <u>6,243</u> | <u>-</u> |
| Cash, end of period | <u>\$ 8,227</u> | <u>\$ 6,243</u> |

Supplemental cash flow information:

Non-cash investing and financing activities:

| | | |
|-----------------------------------|-------------|-------------------|
| Interest paid in cash | \$ - | \$ - |
| Income taxes paid in cash | \$ - | \$ - |
| Common shares issued for for debt | <u>\$ -</u> | <u>\$ 430,803</u> |

The accompanying notes form an integral part of these financial statements

**NOVO19 CAPITAL CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in Canadian Dollars)**

1. Nature of operations and going concern

Novo19 Capital Corp. (the "Company") was incorporated on November 21, 2005 under the Business Corporations Act of British Columbia. The Company is a junior resource exploration and development company and is in the exploration stage.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at September 30, 2020, the Company had no sources of operating cash flows. The Company will therefore require additional funding which, if not raised, would result in the curtailment of activities and project delays. The Company had working capital deficiency of \$57,949 (2019 - \$50,179) and has incurred losses since inception, resulting in an accumulated deficit of \$3,555,031 (2019 - \$3,517,261). The Company's ability to continue as a going concern is uncertain and is dependent upon its ability to continue to raise adequate financing. There can be no assurances that the Company will be successful in this regard, and therefore, there is doubt regarding the Company's ability to continue as a going concern, and accordingly, the use of accounting principles applicable to a going concern. These financial statements do not reflect adjustments that would be necessary if the "going concern" assumption were not appropriate. If the "going concern" assumption were not appropriate for these financial statements, then adjustments to the carrying values of the assets and liabilities, the expenses and the statement of financial position classifications would be necessary as these adjustments could be material.

The recoverability of expenditures on its resource properties and related deferred exploration expenditures is dependent upon the existence of resources that are economically recoverable, confirmation of the Company's ownership interests in the claims, the ability of the Company to obtain necessary financing to complete the exploration and the development of the properties, and upon future profitable production or proceeds from disposition thereof.

During the prior year the cease-trade order against the Company was lifted, the Company consolidated its common shares on the basis of one post consolidation common share for every 10 pre-consolidation shares and the Company changed its name from Parkside Resources Corporation to Novo19 Capital Corp.

2. Significant accounting policies:

(a) Statement of compliance and basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standard ("IFRS"), as issued by the International Accounting Standards Board ("IASB") effective or available for early adoption as of September 30, 2020.

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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

These financial statements are approved by the Board of Directors on November 13, 2020.

**NOVO19 CAPITAL CORP.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
 (Expressed in Canadian Dollars)**

(b) Financial Instruments

The Company adopted IFRS 9 as of October 1, 2018.

Financial assets

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

Financial assets at Fair-value through profit or loss

Financial instruments classified as fair value through profit and loss are reported at fair value at each reporting date, and any change in fair value is recognized in the statement of operations in the period during which the change occurs. Realized and unrealized gains or losses from assets held at FVPTL are included in losses in the period in which they arise.

Financial assets at Fair-value through other comprehensive income

Financial assets carried at FVTOCI are initially recorded at fair value plus transaction costs with all subsequent changes in fair value recognized in other comprehensive income (loss). For investments in equity instruments that are not held for trading, the Company can make an irrevocable election (on an instrument-by-instrument bases) at initial recognition to classify them as FVTOCI. On the disposal of the investment, the cumulative change in fair value remains in other comprehensive income (loss) and is not recycled to profit or loss.

Financial assets at amortized cost

Financial assets are classified at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset’s contractual cash flows are comprised solely of payments of principal and interest. The Company’s accounts receivable are recorded at amortized cost as they meet the required criteria. A provision is recorded based on the expected credit losses for the financial asset and reflects changes in the expected credit losses at each reporting period.

Financial liabilities

Financial liabilities are initially recorded at fair value and subsequently measured at amortized cost, unless they are required to be measured at FVTPL (such as derivatives) or the Company has elected to measure at FVTPL. The Company’s financial liabilities include trade and other payables which are classified at amortized cost.

The Company completed a detailed assessment of its financial instruments as of September 30, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9

| | <u>IAS 39</u> | <u>IFRS 9</u> |
|--------------------------|-----------------------------|----------------|
| Cash | FVTPL | FVTPL |
| Trade and other payables | Other financial liabilities | Amortized cost |

The adoption of this standard did not have a material impact on the Company’s financial statements but resulted in certain additional disclosures. The carrying value and measurement of all financial instruments remained unchanged as a result of the adoption of the new standard.

Impairment

IFRS 9 requires an ‘expected credit loss’ model to be applied which requires a loss allowance to be recognized based on expected credit losses. This applies to financial assets measured at amortized cost. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in initial recognition.

NOVO19 CAPITAL CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in Canadian Dollars)

Fair value hierarchy:

The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to the valuation technique used to measure fair value as per IFRS 7. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

(c) Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and investments in financial instruments with initial maturities within three months, held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. The Company had cash of \$8,227 as at September 30, 2020 (2019 - \$6,243).

(d) Exploration and evaluation assets

Exploration and evaluation assets include the costs associated with exploration and evaluation activity (e.g. geological, geophysical studies, exploratory drilling and sampling), and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. The Company follows the practice of capitalizing all costs related to the acquisition of, exploration for and evaluation of mineral claims and crediting all revenue received against the cost of related claims. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in the statement of loss and comprehensive loss.

Capitalized costs, including general and administrative costs, are only allocated to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

NOVO19 CAPITAL CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in Canadian Dollars)

(e) Impairment

At each financial position reporting date the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair values less costs to sell and 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value to their present value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash generating units to which the exploration activity relates.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(f) Impairment of long-lived assets

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Impairment or write downs are recorded in the event the net book value of such assets exceeds the estimated indicated future cash flows attributable to such assets.

(g) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance expense ("notional interest").

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required, the provision is reversed. The Company presently does not have any amounts considered to be provisions.

NOVO19 CAPITAL CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in Canadian Dollars)

(h) Environmental rehabilitation

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

(i) Flow-through financing

The Company raises equity through the issuance of flow-through shares. Under this arrangement, shares are issued which transfer the tax deductibility of mineral property exploration expenditures to investors. The Company allocates the proceeds from the issuance of these shares between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the shares and the amount the investor pays for the shares. A deferred flow-through premium liability is recognized for the difference. The liability is reversed when the expenditures are made and is recorded in the statement of loss and comprehensive loss. The spending also gives rise to a deferred tax timing difference between the carrying value and tax value of the qualifying expenditure.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a maximum period.

(j) Share-based payment transactions

The Company grants stock options to buy common shares of the Company to directors, officers, employees and services providers. The Board of Directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of share purchase options granted is recognized as an expense or charged to mineral properties as appropriate, with a corresponding increase in equity. 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.

**NOVO19 CAPITAL CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in Canadian Dollars)**

(j) Share-based payment transactions (continued)

The fair value for share purchase options granted to employees or those providing services similar to those provided by a direct employee is measured at the grant date and each tranche is recognized using the accelerated method basis over the period during which the share purchase options vest. The fair value of the share purchase options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

The fair value for share purchase options granted to non-employees for services provided is measured at the date the services are received. The fair value of the share purchase options granted is measured at the fair value of the services received, unless the fair value of services received cannot be estimated reliably, in which case the fair value of the share purchase options is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest.

(k) 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. Diluted loss per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares

(l) Interest

Interest income and expenses are reported on an accrual basis using the effective interest method.

(m) Operating expenses

Operating expenses are recognized in profit and loss upon utilization of the services or at the date of their origin.

(n) Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance against the excess.

**NOVO19 CAPITAL CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in Canadian Dollars)**

(n) Income taxes (continued):

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of taxable income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

(o) Segment reporting

An operating segment is a component of an entity (i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (ii) whose operating results are regularly reviewed by the entity's management, and (iii) for which discrete financial information is available. The Company has only one single reportable operating segment.

(p) Significant accounting judgments and estimates

The preparation of these financial statements requires management to make estimates, judgments 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. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and the revision affects both current and future periods.

Significant assumptions and judgments about the future and other sources of estimation uncertainty that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, include, but are not limited to, the following:

- The inputs used in accounting for share purchase option expense in the statement of loss and comprehensive loss;
- The provision for income taxes which is included in the statements of loss and comprehensive loss and composition of deferred income tax assets and liabilities included in the statement of financial position;
- The determination of categories of financial assets and financial liabilities;
- The determination of a cash generating unit for assessing and testing impairment;
- The allocation of exploration costs to cash generating units; and
- The determination of when an exploration and evaluation asset moves from the exploration stage to the development stage.

(r) New accounting policies

Accounting policy adopted

IFRS 16 was issued in January 2016, and replaces IAS 17, Leases. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Certain leases will be exempt from these requirements. The most significant effect expected of the new requirements will be an increase in lease assets and financial liabilities for lessees with material off-balance sheet leases. IFRS 16 is required for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Corporation has adopted IFRS 16, effective October 1, 2019, with no effect on its financial statements as the Company is not subject to any leases at the present time

NOVO19 CAPITAL CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in Canadian Dollars)

Accounting Standards Issued but not yet Effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2019 or later periods. There are currently no new standards that are expected to have a material impact on the Company in the next fiscal year.

3. Exploration and evaluation assets

Forester Lake Gold Property

In 2011, the Company entered into an option agreement and then subsequently acquired a 60% interest in the Forester Lake Gold Property from Benton Resources Corp. (“BTC”).

The Property is being carried at a nominal amount of \$1.

4. Related party transactions

| Related Party | Item | 2020 | 2019 |
|---------------------------------|---------------------------------------------------|-------------|-------------|
| Key Management Personnel | Management fees charged to statement of loss | \$ - | \$ - |
| | Share-based payments charged to statement of loss | \$ - | \$ - |

To the knowledge of the directors and officers of the Company as of September 30, 2020 2,915,960 common shares or 21.59% of the outstanding shares of the Company were held by Matthew Goldman, a director of the Company. An aggregate of 2,771,380 common shares representing 20.52% of the outstanding shares of the Company are held personally and through a company owned 100% by David Mitchell, Chief Executive Officer and a director of the Company. These holdings can change at any time at the discretion of the owners.

Included in accounts payable is \$Nil (2019- \$Nil) owing to directors and officers of the Company.

The above transactions were in the normal course of operations and were measured at the exchange amount, which are the amounts agreed to by the related parties.

5. Capital management

When managing capital, the Company’s objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary. 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 is dependent on external financing to fund its exploration activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The capital structure of the Company consists of equity comprised of share capital, warrants, other reserves and deficit. The Company is not subject to externally imposed capital requirements.

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

**NOVO19 CAPITAL CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in Canadian Dollars)**

6. Net loss per common share

The calculation of basic and diluted loss per share for the year ended September 30, 2020 was based on the loss attributable to shareholders of \$37,770 (2019 - \$82,910) and the weighted average number of common shares outstanding of 13,264,237 (2019 - 8,709,976).

7. Share capital

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued common shares:

| | <u># of shares</u> | <u>\$ Amount</u> |
|----------------------------|--------------------------|----------------------------|
| Balance September 30, 2018 | 30,892,731 | \$ 1,848,380 |
| Issued for cash (i) | 12,000,000 | 60,000 |
| Issued for debt (ii) | 86,160,600 | 430,803 |
| Consolidation 10:1 (iii) | <u>(116,147,996)</u> | <u>-</u> |
| Balance September 30, 2019 | 12,905,335 | \$ 2,339,183 |
| Issued for cash (iv) | <u>600,000</u> | <u>30,000</u> |
| Balance September 30, 2020 | <u><u>13,505,335</u></u> | <u><u>\$ 2,369,183</u></u> |

- i) In March 2019 the Company issued 12,000,000 common shares at \$0.005 per share for gross proceeds of \$60,000.
- ii) In March 2019 the Company issued 86,160,600 common shares at \$0.005 per share for debt totaling \$430,803 including \$15,255 for outstanding promissory notes and \$415,548 of outstanding accounts payable.
- iii) In July 2019 the Company has a share consolidation on the basis of 1 post-consolidation common share for every 10 pre-consolidation common shares
- iv) In March 2020 the Company issued 600,000 common shares at \$0.05 per share for gross proceeds of \$30,000.

8. Stock options

The Board of Directors has approved a Stock Option Plan for directors and officers. Pursuant to the Stock Option Plan, options granted shall not exceed 10% of the number of Common Shares outstanding at the time of grant. The exercise price as determined by the Board in its sole discretion, must not be lower than the closing price of the Company's Common Shares traded through the facilities of the Exchange on the day preceding the date the Option is granted, less any discount permitted by the Exchange, or such other price as may be determined in accordance with the Stock Option Plan and the requirements of the Exchange, on which the shares are listed for trading.

The Board may not grant options to any one person in any one year period which will, when exercised, exceed 5% of the issued and outstanding common shares or to any one consultant or to any one person employed by the Company who performs investor relations services within any one-year period shall exceed 2% of the issued and outstanding common shares at the time of the grant. Exchange policies require that the aggregate number of options granted to persons performing investor relations activities not exceed 2% of the issued and outstanding shares of the Company. Options are non-transferable and non-assignable. The Options vest as to 15% immediately and 25% from 90 days, 180 days and 270 days following the date of grant.

**NOVO19 CAPITAL CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in Canadian Dollars)**

8. Stock options (continued)

The following table reflects the continuity of stock options for the period ended September 30, 2020 and 2019:

| | Number of options | Wtd Avege ex. price |
|------------------------------------------|------------------------------|--------------------------------|
| As at September 30, 2018 | 300,000 | \$ 0.05 |
| Expired | <u>(300,000)</u> | <u>\$ 0.05</u> |
| As at September 30, 2019 and 2020 | <u>-</u> | <u>\$ -</u> |

9. Warrants

The following table reflects the continuity of warrants for the period ended September 30, 2020 and 2019:

| | Number of options | Wtd Avege ex. price |
|------------------------------------------|------------------------------|--------------------------------|
| As at September 30, 2018 | 846,190 | \$ 0.09 |
| Expired | <u>(846,190)</u> | <u>\$ 0.09</u> |
| As at September 30, 2019 and 2020 | <u>-</u> | <u>\$ -</u> |

10. Segmented Information

At September 30, 2020 and 2019, the Company's operations comprise a single reporting operating segment engaged in mineral exploration in Canada. As the operations comprise a single reporting segment, amounts disclosed in the financial statements also represent segment amounts

11. Income taxes

(i) Deferred income taxes assets

Deferred income tax assets reflect the net tax effects of the temporary differences between the carrying amounts of assets for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's deferred income tax assets were as follows

| | 2020 | 2019 |
|-------------------------------------------|------------------|------------------|
| Non-capital losses carried forward | \$ 675,000 | \$ 660,000 |
| Exploration and evaluation assets | <u>71,000</u> | <u>71,000</u> |
| | 746,000 | 731,000 |
| Valuation allowance | <u>(746,000)</u> | <u>(731,000)</u> |
| | <u>\$ -</u> | <u>\$ -</u> |

The Company has established a valuation allowance against its net unrecognized deferred income tax assets as the tax benefits were not more likely than not to be realized.

(ii) Provision for income taxes

No provision for current income tax expenses has been recorded as the Company had Canadian losses for income tax purposes. No provision for deferred income tax recoveries has been recorded as the Company's future profitability was uncertain.

**NOVO19 CAPITAL CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in Canadian Dollars)**

11. Income taxes (continued)

The provision for income taxes reported differs from the amounts computed by applying the cumulative Canadian federal and provincial income tax rates of approximately 26.50% to the net loss for the year due to the following:

| | 2020 | 2019 |
|------------------------------------------------|---------------|---------------|
| Income (loss) before tax | \$ (37,770) | \$ (82,910) |
| Income tax (recovery at statutory rate) | (10,009) | (21,971) |
| Tax benefits not recognized | <u>10,009</u> | <u>21,971</u> |
| | <u>\$ -</u> | <u>\$ -</u> |

The Company's has non-capital losses of approximately \$2,555,000 (2019 - \$2,517,000) expiring between 2027 and 2040. In addition, the Company has available Canadian Development and Exploration expenditures of approximately \$270,000 (2019 - \$270,000) are available to reduce taxable income in future years without expiry.

(iii) Tax loss carryforwards

| <u>Expiry date</u> | <u>Amount</u> |
|--------------------|---------------------|
| 2027 | \$ 18,000 |
| 2028 | 143,000 |
| 2029 | 119,000 |
| 2030 | 60,000 |
| 2031 | 315,000 |
| 2032 | 601,000 |
| 2033 | 561,000 |
| 2034 | 369,000 |
| 2035 | 140,000 |
| 2036 | 58,000 |
| 2037 | 26,000 |
| 2038 | 23,000 |
| 2039 | 84,000 |
| 2040 | <u>38,000</u> |
| | <u>\$ 2,555,000</u> |

NOVO19 CAPITAL CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in Canadian Dollars)

12. Management of financial risks

The Company's financial instruments are exposed to certain financial risks, including currency, credit, and liquidity risk.

Currency Risk

The Company is exposed to currently not exposed to any foreign currency risk. Management actively monitors movements in foreign currency to mitigate exposure to significant foreign currency losses.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. All of the Company's cash is held in its lawyers trust account.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. As at September 30, 2020 the Company had working capital deficiency of \$57,949. The Company will need additional funds to meet its ongoing obligations. The Company continues to seek capital to fund working capital and its exploration and development projects. There is no assurance that additional funding will be available. Liquidity risk is therefore high.

13. Contingencies - Covid-19

During the year, 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. While the extent of the impact is unknown, we anticipate this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, which may negatively impact the Company's business and financial condition.

14. Subsequent events

On September 17, 2020 the Company signed a Letter of Intent ("LOI") with Nobel Resources Inc, ("Nobel") a private company incorporated under the laws of the Province of Ontario with mining assets located in Chile, pursuant to which Novo19 and Nobel have agreed to complete an arrangement, amalgamation, share exchange, or similar transaction to ultimately form the resulting issuer (the "Resulting Issuer") that will continue on the business of Nobel (the "Transaction"), subject to the terms and conditions outlined below. Concurrently with the completion of the Transaction, the Resulting Issuer will seek to list its common shares for trading on a nationally recognized stock exchange in Canada.

Nobel and the Company are arm's length parties to one another. The valuations of the Company and Nobel are still to be determined by the parties. The material terms and conditions of the LOI are non-binding, and completion of the Transaction is conditional on, among other matters, completion of due diligence, satisfactory determination of valuations, completion of the financings, the execution of a definitive agreement (the "Definitive Agreement") to be negotiated between the parties, and the listing for trading of the Resulting Issuer's common shares on a nationally recognized stock exchange in Canada.