

DLP Resources Inc.

Financial Statements

**For the period ended October 31, 2019
(Unaudited)**

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NOTICE OF NO AUDIT REVIEW OF FINANCIAL STATEMENTS

These unaudited financial statements of DLP Resources Ltd. for the period from incorporation on June 7, 2019 to October 31, 2019 have been prepared by management and approved by the Board of Directors. These unaudited financial statements have not been reviewed by the Company's external auditors.

Robin Sudo

Chief Financial Officer

December 27, 2019

DLP Resources Inc.
Statement of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)
October 31,

	Notes	2019
ASSETS		
Current		
Cash and cash equivalents		\$ 994,285
Prepaid expenses and deposits	4	106,811
Total Current Assets		<u>1,101,097</u>
Mineral property	4	47,919
Property, plant and equipment		785
Total Non-Current Assets		<u>48,704</u>
Total Assets		<u>\$ 1,149,800</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Trade and other payables		\$ 298,292
Bridge loan	5	25,247
Other liabilities	7	31,436
Total Current Liabilities		<u>354,975</u>
Total Liabilities		<u>354,975</u>
Shareholders' Equity		
Share capital	7	1,014,130
Share-based payment reserves	8	108,198
Accumulated deficit		(327,503)
Total Shareholders' Equity		<u>794,825</u>
Total Liabilities and Shareholders' Equity		<u>\$ 1,149,800</u>

Refer Note 1 for Nature of basis and going concern, and Note 13 for Subsequent events
The accompanying notes are an integral part of these financial statements.

On behalf of the Board:



CEO/Director

James Stypula



CFO

Leslie Anne "Robin" Sudo

DLP Resources Inc.
Statement of Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Notes	Three months ended October 31, 2019	From Incorporation on June 7, 2019 to October 31, 2019
General and administrative			
Consulting fee		\$ 59,250	\$ 59,250
Exploration costs	4	85,877	116,854
Office and administrative		14,801	14,851
Professional fees		116,742	143,625
Travel		833	1,180
Flow through share premium recognition	7	(8,258)	(8,258)
Loss before income taxes		269,246	327,503
Income tax expense		-	-
Net loss for the period		\$ 269,246	\$ 327,503
Total comprehensive loss		\$ 269,246	\$ 327,503
Loss per share			
Weighted average shares outstanding			
- basic and diluted		34,418,072	33,304,538
Basic and diluted		\$ 0.01	\$ 0.01

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

DLP Resources Inc.
Statement of Changes in Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Number of shares issued and outstanding	Share capital	Share- based payment - reserve	Deficit	Total share- holders' equity
Balance, June 7, 2019	-	\$ -	\$ -	\$ -	\$ -
Shares issued for cash					
Finder shares	17,777,780	50,000		-	50,000
Private placement, net of issue costs (Note 7)	11,123,131	991,906	80,116	-	1,072,022
Issued for other consideration					
In exchange for properties (Note 4)	14,222,220	40,000		-	40,000
Private placement - finder's warrants (Note 7)		(28,082)	28,082		-
Flow through share premium		(39,694)			(39,694)
Net loss for the period	-	-	-	(327,503)	(327,503)
Balance, October 31, 2019	43,123,131	\$ 1,014,130	\$ 108,198	\$ (327,503)	\$ 794,825

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

DLP Resources Inc.
Statement of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

For the period from incorporation on June 7, 2019 to

	Notes	October 31, 2019
Cash flows from operating activities		
Loss for the period		\$ (327,503)
Adjustment to reconcile loss to net cash used in operating activities:		
Gain on flow through share premium	7	(8,258)
Changes in non-cash working capital balances:		
Prepaid expenses and deposits		(106,811)
Trade and other payables		298,539
Total cash outflows from operating activities		<u>(144,033)</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment		(785)
Investment in exploration & evaluation assets		(7,919)
Total cash outflows from investing activities		<u>(8,704)</u>
Cash flows from financing activities		
Proceeds from share issuance	7	1,202,008
Share issue costs	7	(79,986)
Proceeds from bridge loan	5	25,000
Total cash inflows from financing activities		<u>1,147,022</u>
Total increase in cash during the period		994,285
Cash and cash equivalents, beginning of period		-
Cash and cash equivalents, end of period		<u>\$ 994,285</u>

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

DLP RESOURCES INC.

NOTES TO THE FINANCIAL STATEMENTS

For the period from incorporation on June 7, 2019 to October 31, 2019

(Expressed in Canadian Dollars)

(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

DLP Resources Inc. ("DLP" or the "Company") is a privately-held mineral exploration company and is pursuing opportunities relating to the acquisition and exploration of mineral property interests in British Columbia, Canada. The Company was incorporated on June 7, 2019 under the laws of British Columbia. The registered office, head office and records office of the Company are located at 558 Celia Rd., Cranbrook, V1C 6V9, British Columbia, Canada.

As the Company was formed on June 7, 2019 there are no comparative periods presented in these audited financial statements ("financial statements").

The Company has no wholly-owned or partially-owned subsidiaries.

These financial statements have been prepared in accordance with IFRS applicable to a going concern, which assumes that the Company will be able to meet its obligations and trade on the TSX Venture Exchange after listing on the same following finalisation of its Amalgamation Agreement with MG Capital Corp (Note 7). Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to 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. At October 31, 2019, the Company had no source of operating revenues, had not yet achieved profitable operations and the Company expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern.

To alleviate this situation, the Company completed a financing for gross proceeds totaling \$1,152,007 on October 11, 2019. The Company's ability to continue as a going concern is dependent upon its ability to obtain the financing necessary to complete its exploration projects by issuance of share capital or through joint ventures, and/or proceeds from the disposition of a property. As at October 31, 2019, the Company has an accumulated deficit of \$402,878 and has working capital of \$670,746. The Company's current forecast indicates that it will have sufficient cash available for the next year to continue as a going concern.

2. BASIS OF PRESENTATION

a) Basis of presentation

These unaudited financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The unaudited financial statements have been prepared on a historical cost basis.

These unaudited financial statements were approved for issue by the board of directors on December 27, 2019.

b) Basis of measurement

These financial statements include the accounts of DLP Resources Inc.

These financial statements are presented in Canadian dollars.

DLP RESOURCES INC.

NOTES TO THE FINANCIAL STATEMENTS

For the period from incorporation on June 7, 2019 to October 31, 2019

(Expressed in Canadian Dollars)

(Unaudited)

The accounting policies have been applied consistently in these financial statements, unless otherwise indicated.

c) Judgments and estimates

The preparation of financial statements in compliance with IFRS requires management to exercise judgment in applying the Company's accounting policies and make certain critical accounting estimates. The areas involving critical judgments in applying accounting policies have the biggest impact on the assets and liabilities recognized in the financial statements are:

Economic recoverability and probability of future economic benefits of mineral properties

Management has determined that acquisition costs, which are capitalized as mineral properties (Note 4), have future economic benefits and are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit that may include geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

Determination of fair value on contributed mineral property assets by related parties

Assets contributed to the Company by related parties are to be recorded at an exchange fair value comparable to an arms-length transaction. As there is no market value for mineral property assets contributed, judgement was used in determining the fair value measurement of the contributed mineral property assets. The Company determined the fair value of the mineral property assets is consistent with the fair value of Common Shares issued to the related parties in accordance with IFRS 2.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Exploration and evaluation expenditures

Exploration and evaluation expenditures relate to costs incurred on the exploration for and evaluation of potential mineral reserves.

Recognition and measurement

Exploration and evaluation expenditures include costs of conducting geological surveys, and exploratory drilling and sampling. Expenditures on mineral exploration or evaluation incurred in respect of a property before the acquisition of a license/permit to explore are expensed as incurred.

Costs related to the acquisition of an exploration asset are capitalized as mineral property assets. The Company will capitalize, once a license/permit has been secured, the cost of maintaining its interest, exploring and developing mineral properties as exploration assets when future inflow of economic benefits from the properties is probable and until such time as the properties are placed into development, abandoned, sold or considered to be impaired in value.

DLP RESOURCES INC.

NOTES TO THE FINANCIAL STATEMENTS

For the period from incorporation on June 7, 2019 to October 31, 2019

(Expressed in Canadian Dollars)

(Unaudited)

To date the Company has not obtained a license/permit to explore the mineral properties, accordingly, no amounts have been capitalized in respect of exploration and evaluation expenditure.

Exploration costs that do not relate to any specific property are expensed as incurred.

Impairment

Management tests for impairment when facts and circumstances indicate that the carrying value of mineral property asset might exceed recoverable amounts or when the technical feasibility and commercial viability of mineral resources is demonstrable.

b) Equipment

Equipment is to be comprised of office and computer equipment which will be carried at cost and amortized on a declining balance basis over the estimated service lives of the assets at rates ranging from 20% to 30%. Amortization methods, useful lives and residual values are to be reviewed at each reporting date.

c) Cash

Cash includes cash on hand and deposits held with banks.

d) Share capital

Common Shares are classified as equity. Incremental costs directly attributable to the issue of new Common Shares or stock options are shown in equity as a deduction from the related proceeds, net of applicable tax.

e) Flow-through shares

Flow-through common shares are issued from time to time to finance a significant portion of the Company's exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for qualifying Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's reporting year is disclosed separately as flow-through share proceeds.

f) Earnings/loss per share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to Common Shares by the weighted average number of Common Shares outstanding for the relevant period.

DLP RESOURCES INC.

NOTES TO THE FINANCIAL STATEMENTS

For the period from incorporation on June 7, 2019 to October 31, 2019

(Expressed in Canadian Dollars)

(Unaudited)

Diluted earnings per share is computed by dividing the net income applicable to Common Shares by the sum of the weighted average number of Common Shares issued and outstanding and all additional Common Shares that would have been outstanding, if potentially dilutive instruments were converted.

Basic earnings/loss per share amounts are calculated by dividing the net income or loss for the period by the weighted average number of Common Shares outstanding during the period.

g) Share-based compensation

Share-based compensation arises when the Company issues equity instruments as consideration for services received from employees and non-employees. Its amount is calculated based on the fair value of Common Shares or stock options awarded to employees, measured on their grant date. The fair value of shares or stock options awarded to non-employees is measured on the date that the goods or services are received.

The fair value of the Common Shares and stock options is recognized as an expense over their vesting period with a corresponding increase in equity.

The Company determined the fair value of mineral property assets contributed in accordance with IFRS 2.

h) Standards and interpretations

The Company applies IFRS 9, Financial Instruments, which sets out the accounting standards for the classification and measurement of financial instruments. The IFRS 9 standard provides a model for the classification and measurement of financial instruments, a single forward-looking “expected loss” impairment model, and a reformed approach for hedge accounting.

The Company classifies its financial assets in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL. For other equity instruments, the Company can make an irrevocable election (on an instrument by-instrument basis) on the day of acquisition to designate them as at FVTOCI.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the income statement in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

DLP RESOURCES INC.

NOTES TO THE FINANCIAL STATEMENTS

For the period from incorporation on June 7, 2019 to October 31, 2019

(Expressed in Canadian Dollars)

(Unaudited)

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the income statement. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

i) New accounting standards and interpretations

Leases under IFRS 16

IFRS 16, Leases is effective for accounting periods beginning on or after January 1, 2019. IFRS 16 Leases specifies how leases should be recognized, measured, presented and disclosed. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The Company assessed this new standard and the Company does know that its adoption will have a material impact on the financial position or results of the Company.

4. MINERAL PROPERTIES

During the period from incorporation on June 7, 2019 to October 31, 2019, 3 properties, Aldridge 1, Aldridge 2 and Redburn, were acquired by the Company from 4 shareholders of which 2 are directors/key management of the Company (Note 9.2). In consideration of the acquired properties, a total of 14,222,220 shares were issued at a fair value of \$40,000, being the fair value comparable to the arms-length share issuances of \$0.0028125 per common share of the Company at and around the same time as the acquired mineral property assets.

In August 2019, the Company staked the Hungry Creek property and Strategy claim for a cost of \$7,549 and \$369 respectively.

During the period from incorporation on June 7, 2019 to October 31, 2019, the Company incurred \$223,666 exploration cost on its properties. The following table summarized the exploration costs incurred:

DLP RESOURCES INC.**NOTES TO THE FINANCIAL STATEMENTS**

For the period from incorporation on June 7, 2019 to October 31, 2019

*(Expressed in Canadian Dollars)**(Unaudited)*

For three months ended October 31, 2019

Exploration Costs	General	Aldridge 1	Aldridge 2	Redburn	Hungry Creek	Total
Geology-Fieldwork	\$ -	\$ 14,186	\$ 6,892	\$ 3,098	\$ 13,955	\$ 38,131
Geology-Transport/Fuel	-	790	-	467	15,974	17,232
Geophysics	-	-	-	-	6,787	6,787
Geochemistry	-	-	-	15,400	1,226	16,626
Technical Report	-	5,713	673	-	-	6,385
Maps & Reproductions	-	167	167	92	290	716
Total	\$ -	\$ 20,856	\$ 7,732	\$ 19,057	\$ 38,233	\$ 85,877

For the period from incorporation on June 7, 2019 to October 31, 2019:

Exploration Costs	General	Aldridge 1	Aldridge 2	Redburn	Hungry Creek	Total
Geology-Fieldwork	\$ -	\$ 17,795	\$ 15,984	\$ 3,098	\$ 13,955	\$ 50,832
Geology-Transport/Fuel	-	790	-	467	15,974	17,232
Geophysics	-	-	-	-	6,787	6,787
Geochemistry	-	-	-	17,250	1,226	18,476
Technical Report	-	12,469	4,311	-	-	16,780
Maps & Reproductions	-	471	232	187	290	1,180
Others	5,567	-	-	-	-	5,567
Total	\$ 5,567	\$ 31,525	\$ 20,527	\$ 21,002	\$ 38,233	\$ 116,854

Aldridge 1 (RJ) and Aldridge 2 (JR) Properties – Pb/Zn prospect

The Aldridge 1(RJ) and Aldridge 2 (JR) mineral properties are separate claim blocks located 52 km southwest of Cranbrook B.C. in the East Kootenay region of the province. Both are in the Leadville corridor and are Pb/Zn prospects. They are separated by about 5.7 km north-south on NTS map-sheets 082F01 and 082F08. The Aldridge 2 property is 5 claims totaling 1,855.17 hectares; the Aldridge 1 property is 9 claims totaling 2,914.43 hectares. Both properties are owned 100% by the Company and have no ongoing commitments other than the future commitment of the net smelter royalty commitment noted in Note 9.3. On October 31, 2019, the Company signed a contract and made a deposit of \$106,811 for geophysics work on the properties.

Redburn Property - Cu prospect

Redburn Creek claims are 12 claim blocks totaling 5,359.5 hectares and is 15 km northeast of Golden, B.C.

The Redburn Creek claims are within an anomalous horizon at the top of the Cambrian Chancellor formation shales. This horizon has been traced from Elkford, B.C. to North of Golden, B.C. which hosts a massive sulfide deposit at Cummings Creek and the Kicking Horse Monarch mine at Field, B.C. These deposits are in the same horizon as the Redburn Creek Property. The property is owned 100% by the Company and has no ongoing commitments.

DLP RESOURCES INC.**NOTES TO THE FINANCIAL STATEMENTS**

For the period from incorporation on June 7, 2019 to October 31, 2019

*(Expressed in Canadian Dollars)**(Unaudited)***Hungry Creek Property – Cu/Co prospect**

Hungry Creek property is 4261.5 hectares in size and is located 35 km west of Kimberley, B.C. It was staked as recent prospecting in the stream bed of Hungry Creek discovered numerous boulders of massive to semi massive sulfides. The Hungry Creek Property is 100% owned by the Company.

Strategy claim

The stand-alone Strategy claim is 211 hectares in size and located 1 km west of the Aldridge 1 property. It was staked in response to competitor ground coming available.

5. BRIDGE LOAN

On September 26, 2019, the company entered into a bridge loan with MG Capital Corp for \$25,000. The loan accrues interest at 10% per annum and is unsecured. All amounts outstanding will be repayable on the completion date of the qualifying transaction or if the qualifying transaction is not complete, 90 days from the date of September 26, 2019. On November 14, 2019, the Company completed the amalgamation agreement with MG Capital Corp. (Note 7). The bridge loan was eliminated after the amalgamation.

6. INCOME TAXES

	Period from incorporation on June 7, 2019 to October 31, 2019
Loss before income taxes	\$ (344,621)
Income tax rate	27%
Income tax recovery using statutory rate	(93,048)
Change in unrecognized deferred income tax assets	93,048
Income tax expense (recovery)	\$ -

The nature and tax effect of the temporary differences giving rise to the deferred tax assets and liabilities at October 31, 2019, summarized as follows:

	October 31, 2019
Deferred tax assets	
Non-capital loss carry-forwards	\$ 93,048
	93,048
Unrecognized deferred tax assets	(93,048)
	\$ -

DLP RESOURCES INC.

NOTES TO THE FINANCIAL STATEMENTS

For the period from incorporation on June 7, 2019 to October 31, 2019

(Expressed in Canadian Dollars)

(Unaudited)

7. SHARE CAPITAL

The Company is authorized to issue an unlimited number of Class A Common Shares with no par value ("**Common Shares**").

During the period from incorporation of June 7 to July 31, 2019, the Company issued 17,777,780 Common Shares for \$50,000 (\$0.0028125 per share) in cash, including 7,111,110 to 2 directors in exchange for \$20,000 cash. Another 14,222,220 Common Shares were issued, in exchange for 3 properties, at a fair value of \$40,000 (\$0.0028125 per share). The properties were transferred to the Company by 4 parties of which 2 are directors/key management (Note 4 and Note 9.2).

Private Placement

On October 11, 2019, the Company completed a private placement and raised \$1,152,007 by issuing 9,800,000 units (the "**DLP Unit**") at \$0.10 per unit and 1,323,131 flow through shares ("**DLP FT Share**") at \$0.13 per share. Each DLP Unit is comprised of one DLP Share and one-half of one common share purchase warrant of DLP (each whole warrant, a "**DLP Warrant**"). Each DLP Warrant will entitle the holder thereof to purchase one additional DLP Share at an exercise price of \$0.15 per DLP Share for a period of 24 months from the date of issue, subject to the Acceleration Right (as defined below). Each DLP FT Share is a flow-through share which will qualify as a "flow-through share" as defined in s. 66(15) of the *Income Tax Act* (Canada). As of October 31, 2019, the Company incurred \$35,783 qualified flow through expenditures and recognized \$8,258 through flow premium. The unrecognized flow through premium at October 31, 2019 was \$31,436.

The "**Acceleration Right**" means the right of DLP to accelerate the expiry date of the DLP Warrants if the closing price of the shares of the Resulting Issuer on the TSXV, or any other stock exchange on which such shares are then listed, is at a price equal to or greater than \$0.25 for a period of twenty consecutive trading days.

In connection with the private placement, the Company paid the finders cash fees and other share issuance fees in the amount of \$79,986 and issued 574,042 non-transferable warrants ("Compensation Warrants"). The Compensation Warrants are exercisable at a range of \$0.10 to \$0.13 per Compensation Warrant into common shares of the Company for a period of two years from the closing date of the private placement.

Amalgamation Agreement

On September 26, 2019, the Company entered into an amalgamation agreement with MG Capital Corp, a corporation incorporated under the laws of Alberta ("**MG**") and 1224395 B.C. Ltd. a wholly owned corporate subsidiary of MG incorporated under the laws of the Province of British Columbia (the "**Amalgamation Agreement**").

Pursuant to the terms of the Amalgamation Agreement, and subject to certain conditions, including receipt of applicable regulatory and shareholder approvals, DLP will amalgamate with 1224395 B.C. Ltd. pursuant to the provisions of the *Business Corporations Act* (British Columbia) (the "**Amalgamation**"). The amalgamated entity ("**AmalCo**") will be a wholly-owned subsidiary of MG and the shareholders of DLP will be issued one common share of MG (each an "**MG Share**") for every one DLP Common Share held immediately prior to the completion of the Amalgamation. Upon completion of the Amalgamation, DLP will become a wholly-owned

DLP RESOURCES INC.

NOTES TO THE FINANCIAL STATEMENTS

For the period from incorporation on June 7, 2019 to October 31, 2019

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subsidiary of MG and the former securityholders of DLP will become securityholders of MG. The Amalgamation (and the other transactions contemplated by the Amalgamation Agreement) will constitute the Qualifying Transaction of MG (the “**Transaction**”), as defined in the policies of the TSX Venture Exchange (“**TSXV**”).

The Amalgamation Agreement provides that no party will solicit or negotiate with any other entities in opposition to or in competition with the Transaction.

The completion of the Transaction is subject to the satisfaction of conditions, including but not limited to:

- (i) the DLP financing (see “Private Placement” above), raising gross proceeds of not less than \$1.1 million;
- (ii) approval of the Amalgamation by the shareholders of DLP;
- (iii) the absence of any material adverse change in the business, operations or capital of either MG or DLP;
- (iv) the absence of any prohibition at law against the Transaction;
- (v) the termination by MG of 540,000 of the currently outstanding stock options held by its current directors and officers; and
- (vi) receipt of all requisite third-party consents, waivers, permits, orders and approvals, including the approval of the TSXV.

Each of MG and DLP will bear their own costs in respect of the Transaction except that DLP will pay all third-party costs required to be paid to complete the Transaction, including, but not limited to sponsorship fees and any and all TSXV filing fees.

The Transaction will result in MG, as the listed issuer resulting from the Transaction (the “**Resulting Issuer**”), owning 100% of the Common Shares of DLP.

In connection with its role in connecting MG and DLP in contemplation of the Transaction, there is a finder’s fee payable to Haywood Securities Inc. (“**Haywood**”) to be satisfied through delivery to Haywood of \$192,500, through the issuance of DLP Shares at a price of \$0.10 per DLP Share. Haywood elected to receive its fees in shares.

8. WARRANTS

As of October 31, 2019, the Company had outstanding and exercisable warrants as follows:

	Warrants	Exercise price (C\$)	Expiry Date
Outstanding at June 7, 2019	-	-	
Issued for private placement	4,900,000	0.15	November 14, 2021
Issued for finders	525,000	0.10	November 14, 2021
Issued for finders	49,042	0.13	November 14, 2021
Outstanding at October 31, 2019	5,474,042	0.15	

The Company uses the Black-Scholes option pricing model to estimate the fair value of the warrants. The expected volatility

assumption inherent in the pricing model is based on the historical volatility of a publicly traded company’s stock comparable to DLP over a term equal to the expected term of the warrants issued. The weighted

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(Expressed in Canadian Dollars)

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average assumptions used in this pricing model, and the resulting weighted average fair values per warrant for the warrants issued during the period from incorporation on June 7, 2019 to October 31, 2019 were as follows:

Risk-free rate:	1.65%
Expected life:	2 years
Expected volatility:	92.36%
Expected dividends:	Nil
Weighted average fair value per warrant:	\$0.0198

9. RELATED PARTY TRANSACTIONS

- 1) The Company's related parties include key management personnel and directors and any transactions with such parties for goods and/or services are made on regular commercial terms and are considered to be at arm's length. Key management are those personnel having the authority and responsibility for planning, directing, and controlling the Company and comprise the Chief Executive Officer, Chief Financial Officer and Vice-President, Exploration of the Company. During the period from incorporation on June 7, 2019 to October 31, 2019, the Company paid \$54,000 consulting fee to key management personnel.
- 2) Key management personnel of the Company contributed mineral property assets to the Company (Notes 4) for a total fair value of \$20,000 (\$10,000 each) with the allocation of \$12,000 in exchange for Aldridge 1 and \$8,000 in exchange for Aldridge 2.
- 3) Regarding transfer of the mineral property assets to the Company (Note 4), 2 directors shall retain and be entitled to a royalty (the "Royalty") entitling such directors to 0.5% each (total of 1%) of all Net Smelter Returns on the area currently comprising the mineral claims named "JR 1", "JR 2" and "JR 3" (collectively, the "Royalty Area") in accordance with the terms and conditions set out. The Royalty shall constitute an interest in land and will be a covenant running with the Royalty Area.

10. EARNING/LOSS PER SHARE

	For the period from incorporation on June 7, 2019 to	
	Three months ended October 31, 2019	October 31, 2019
Loss attributable to ordinary shareholders	\$ 269,246	\$ 327,503
Weighted average number of shares outstanding - basic	34,418,072	33,304,538
Basic and diluted loss per share	\$ 0.01	\$ 0.01

DLP RESOURCES INC.

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For the period from incorporation on June 7, 2019 to October 31, 2019

(Expressed in Canadian Dollars)

(Unaudited)

11. FINANCIAL INSTRUMENT AND RISK MANAGEMENT

Risk Management

The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance.

Fair value

The Company's financial instruments include cash, and other payables and other liabilities. IFRS 7 *Financial Instruments: Disclosures* ("IFRS 7") establishes a fair value hierarchy for financial instruments measured at fair value that reflects the significance of inputs in making fair value measurements as follows:

- Level 1 - applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2 - applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
- Level 3 - applies to assets or liabilities for which there are unobservable market data.

The recorded amounts of cash and accounts payables and other liabilities approximate their respective fair values due to their short-term nature.

Credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash in a major Canadian Bank. The carrying amount of financial assets represents the maximum credit exposure.

Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates for the Company is considered minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing other liabilities. Most of the Company's financial liabilities are due within one year.

DLP RESOURCES INC.**NOTES TO THE FINANCIAL STATEMENTS**

For the period from incorporation on June 7, 2019 to October 31, 2019

(Expressed in Canadian Dollars)

(Unaudited)

12. CAPITAL MANAGEMENT

The Company monitors its cash and Common Shares as capital. The Company's objectives when maintaining capital are to maintain sufficient capital base in order to meet its short-term obligations. The Company is not exposed to any externally imposed capital requirements.

13. SUBSEQUENT EVENTS

Subsequent to October 31, 2019, the Company completed the Amalgamation Agreement with MG Capital and obtained approval from TSX Venture Exchange. The Amalco became the wholly-own subsidiary of MG Capital. MG Capital carried on the mineral exploration business conducted by DLP and MG Capital's shares were trading on TSX venture exchange under the symbol "DLP.V" on November 24, 2019.

In connection with its role in connecting MG and DLP in contemplation of the Transaction, there is a finder's fee payable to Haywood Securities Inc. ("**Haywood**") to be satisfied through delivery to Haywood of \$192,500, through the issuance of DLP Shares at a price of \$0.10 per DLP Share. Haywood elected to receive its fees in shares. The Company issued 1,925,000 common shares to satisfy the finder's fee.