

MG Capital Corporation

Consolidated Financial Statements

For the period from Incorporation on June 7, 2019 to April 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MG Capital Corporation

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of MG Capital Corporation (the "Company"), which comprise the consolidated statement of financial position as at April 30, 2020 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the period from incorporation on June 7, 2019 to April 30, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2020 and its financial performance and its cash flows for the 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 Auditor's Responsibilities for the Audit of the Consolidated 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 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 consolidated financial statements, which indicates that the Company has no source of operating revenues, has not yet achieved profitable operations and expects to incur further losses in the development of its business. As stated in Note 1, 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. These matters, 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 "Management's Discussion and Analysis" but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 auditor's report is G. Cameron Dong.



Chartered Professional Accountants

Vancouver, BC, Canada

August 27, 2020

MG Capital Corporation
Consolidated Statement of Financial Position
(Expressed in Canadian Dollars)

	Notes	April 30, 2020
ASSETS		
Current		
Cash		\$ 414,728
Receivables		1,124
Prepaid expenses		18,054
Total Current Assets		433,906
Mineral properties	4	59,871
Reclamation deposits		38,100
Total Non-Current Assets		97,971
Total Assets		\$ 531,877
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Trade and other payables		\$ 26,568
Total Liabilities		26,568
Shareholders' Equity		
Share capital	7	1,579,751
Share-based payment reserves	8	188,314
Accumulated deficit		(1,262,756)
Total Shareholders' Equity		505,309
Total Liabilities and Shareholders' Equity		\$ 531,877

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 consolidated financial statements.

On behalf of the Board:

"James Stypuld"

CEO/Director

"Robin Sudo"

CFO

MG Capital Corporation
Consolidated Statement of Comprehensive Loss
(Expressed in Canadian Dollars)

	Notes	From Incorporation on June 7, 2019 to April 30, 2020
General and administrative		
Salaries and benefits		\$ 74,348
Consulting fee		97,246
Exploration costs	4	344,946
Office and administrative		22,400
Transfer agent and filing fees		55,607
Listing costs	5	552,549
Professional fees		152,957
Travel		2,397
Flow through share premium recovery	7	(39,694)
Net loss and comprehensive loss for the period		\$ 1,262,756

Loss per share

Weighted average shares outstanding
- basic and diluted

	42,573,178
Basic and diluted	\$ 0.03

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

MG Capital Corporation
Consolidated Statement of Changes in Equity
(Expressed in Canadian Dollars)

	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, 8)	11,123,131	921,737	160,232	-	1,081,969
Issued for other consideration					
In exchange for properties (Note 4)	14,334,720	51,250	-	-	51,250
Issued to acquire MG Capital Corporation (Note 5)	5,510,000	462,840	-	-	462,840
Reverse takeover finder's fee (Note 5)	1,925,000	161,700	-	-	161,700
Private placement - finder's warrants (Note 8)	-	(28,082)	28,082	-	-
Flow through share premium (Note 7)	-	(39,694)	-	-	(39,694)
Net loss for the period	-	-	-	(1,262,756)	(1,262,756)
Balance, April 30, 2020	50,670,631	\$ 1,579,751	\$ 188,314	\$ (1,262,756)	\$ 505,309

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

MG Capital Corporation
Consolidated Statement of Cash Flows
(Expressed in Canadian Dollars)

For the period from incorporation on June 7, 2019 to

	Notes	April 30, 2020
Cash flows from operating activities		
Loss for the period		\$ (1,262,756)
Adjustment to reconcile loss to net cash used in operating activities:		
Listing costs	5	552,549
Flow through share premium recovery	7	(39,694)
Changes in non-cash working capital balances:		
Receivables		(1,124)
Prepaid expenses		(18,054)
Trade and other payables		(35,998)
Total cash outflows from operating activities		(805,077)
Cash flows from investing activities		
Reclamation deposits		(38,100)
Purchase of mineral property		(8,621)
Net cash acquired in reverse takeover	5	134,557
Total cash inflows from investing activities		87,836
Cash flows from financing activities		
Proceeds from share issuance	7	1,202,007
Share issue costs	7	(70,038)
Total cash inflows from financing activities		1,131,969
Total increase in cash during the period		414,728
Cash and cash equivalents, beginning of period		-
Cash and cash equivalents, end of period		\$ 414,728

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

MG Capital Corporation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from incorporation on June 7, 2019 to April 30, 2020

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

MG Capital Corporation ("MG" or the "Company") is a publicly traded 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 November 9, 2017 under the laws of Alberta. The registered office and records office of the Company is located at 10th Floor, 595 Howe St., Vancouver, V6C 2T5, British Columbia, Canada. The Company's Head Office is located at #201 – 135 – 10th Ave. S., Cranbrook, V1C 2N1, British Columbia, Canada.

On November 14, 2019, the Company completed a reverse asset transaction pursuant to an amalgamation agreement with DLP Resources Inc. ("DLP"), a private mineral exploration company. Subsequently, DLP became the wholly owned subsidiary of MG. MG is trading on TSX Venture Exchange under the symbol of DLP.V as of November 24, 2019. For accounting purposes, the amalgamation is accounted for as a reverse asset acquisition as the shareholders of DLP acquired control of the consolidated entity. DLP is considered the acquiring and continuing entity and MG was the acquired entity (Note 5).

These consolidated financial statements have been prepared in accordance with IFRS applicable to a going concern. Realization values may be substantially different from carrying values as shown and these consolidated 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 April 30, 2020, 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 indicate the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern.

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 April 30, 2020, the Company has an accumulated deficit of \$1,262,756 and has working capital of \$407,338. The Company's current forecast indicates that it will have sufficient cash available for the next year to continue as a going concern.

The Company could also be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on it and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company and its ability to secure any necessary financing.

2. BASIS OF PRESENTATION

a) Basis of presentation

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

These consolidated financial statements include the accounts DLP and MG (after November 14, 2019)

These consolidated financial statements were approved for issue by the board of directors on August 27, 2020.

MG Capital Corporation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from incorporation on June 7, 2019 to April 30, 2020

(Expressed in Canadian Dollars)

b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis

These financial statements are presented in Canadian dollars.

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

c) Basis of consolidations

The consolidated financial statements include the accounts of DLP Resources Inc. and MG Capital Corp. Legally, MG Capital Corp. owns DLP Resources Inc., however, for accounting and presentation purposes, DLP Resources Inc. is the parent entity. All intercompany transactions and balances are eliminated on consolidation.

d) 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.

MG Capital Corporation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from incorporation on June 7, 2019 to April 30, 2020

(Expressed in Canadian Dollars)

Going concern evaluation

As discussed in Note 1, these consolidated financial statements have been prepared under the assumptions applicable to a going concern. If the going concern assumption were not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the consolidated statement of financial position classifications used and such adjustments could be material.

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures and meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

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. Once a license/permit has been secured, the Company will capitalize 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.

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 expenditures.

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) Cash

Cash includes cash on hand and deposits held with banks.

MG Capital Corporation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from incorporation on June 7, 2019 to April 30, 2020

(Expressed in Canadian Dollars)

c) 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.

If the Company issues units as part of financing, consisting of both common shares and common share purchase warrants, the fair value of the warrants is determined using the Black-Scholes pricing model, and fair value of the common shares is determined using market price. The allocation of value is proportionally based on their fair value.

d) 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 flow-through share premium recovery on the income statement.

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.

e) 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.

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.

f) 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.

g) 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.

MG Capital Corporation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from incorporation on June 7, 2019 to April 30, 2020

(Expressed in Canadian Dollars)

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.

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.

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 adoption does not have a material impact on the financial position or results of the Company.

MG Capital Corporation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from incorporation on June 7, 2019 to April 30, 2020

(Expressed in Canadian Dollars)

4. MINERAL PROPERTIES

During the period from incorporation on June 7, 2019 to April 30, 2020, 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 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.

On March 1, 2020, the Company entered into a property earn-in agreement (the "Earn-In Agreement") with each of Jonathan Sean Kennedy, R.D. Craig Kennedy, Darlene E. Lavoie, Thomas Peter James Kennedy, Michael Cameron Kennedy and Frederick A. Cook (for Salt Spring Imaging, Ltd.) (together, the "Field Experts"). Under the Earn-In Agreement, the Field Experts have agreed to grant to DLP an option to acquire up to a 100% interest in certain mineral claims comprising the Son of Captain, Liger and Hungry Miner properties (the "Properties"), which are situated in the vicinity of the Company's Aldridge 1, Aldridge 2 and Hungry Creek properties, respectively.

In order to exercise the option to acquire a 100% interest in the Properties, DLP will issue an aggregate of 450,000 common shares of the Company (the "Earn-In Shares") through the issuance of 112,500 Earn-In Shares per year, over a four-year period, issuable to the Field Experts on a pro-rata basis.

Pursuant to the Earn-In Agreement, the Company will have the option at their discretion to accelerate the payments at any time during the four-year term and acquire the Properties on a 100% basis by immediately completing the issuance of the Earn-In Shares as described above.

Upon completion of the Earn-In Agreement, the Field Experts shall be entitled to a 1% NSR royalty payable on each of the Properties, with the Company being able to buy back such NSR royalties in exchange for an aggregate of \$1,000,000, payable to the Field Experts on a pro-rata basis at the Company's discretion.

On March 25, 2020, the Company issued the first tranche of Earn-In Shares of 112,500 to the Field Experts.

During the period from incorporation on June 7, 2019 to April 30, 2020, the Company incurred \$344,946 exploration cost on its properties. The following table summarized the exploration costs incurred:

For the period from incorporation on June 7, 2019 to April 30, 2020:

Exploration Costs	General	Aldridge 1	Aldridge 2	Redburn	Hungry Creek	Total
Geology-Fieldwork	\$ -	\$ 29,595	\$ 19,134	\$ 9,973	\$ 16,480	75,182
Geology-Transport/Fuel	-	790	-	467	15,974	17,231
Geophysics	-	122,072	68,665	-	9,937	200,674
Geochemistry	-	-	-	17,250	4,347	21,597
Technical Report	-	12,469	4,311	-	-	16,780
Maps & Reproductions	-	2,152	1,672	1,576	1,964	7,364
Others	6,118	-	-	-	-	6,118
Total	\$ 6,118	\$ 167,078	\$ 93,782	\$ 29,266	\$ 48,702	\$ 344,946

MG Capital Corporation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from incorporation on June 7, 2019 to April 30, 2020

(Expressed in Canadian Dollars)

Aldridge 1 (RJ) and Aldridge 2 (JR) Properties

The Aldridge 1(RJ) and Aldridge 2 (JR) mineral properties are separate claim blocks located near Cranbrook B.C. in the East Kootenay region of the province. 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 March 1, 2020, the Company entered into the Earn-In Agreement which added the four (4) Son of Captain claims totaling 126.75 ha to Aldridge 1 (RJ) and the Liger claim totaling 84.31 ha to Aldridge 2.

On March 15, 2020, the Company staked claims that increased the size of the Aldridge 1 property by 190 hectares to a total of 3,231.2 hectares.

Redburn Creek Property

Redburn Creek claims are 12 claim blocks totaling 5,359.5 hectares near Golden, B.C.

The property is owned 100% by the Company and has no ongoing commitments.

Hungry Creek Property

Hungry Creek Property is 4,261.5 hectares in size and is located west of Kimberley, B.C. The Hungry Creek Property is 100% owned by the Company.

On March 1, 2020, the Company entered into the Earn-In Agreement which added the Hungry Miner claim totaling 62.67 ha, to the property.

Strategy Property claim

The stand-alone Strategy claim is 211 hectares in size is located west of the Aldridge 1 property

On March 15, 2020, the Company staked claims that increased the size of the Strategy property by 211 hectares which doubled its size to a total of 422 hectares.

5. REVERSE TAKEOVER

On November 14, 2019, the Company completed a reverse asset acquisition pursuant to an amalgamation agreement with DLP, and 1224395 B.C. Ltd., a wholly owned subsidiary of MG (the "Amalgamation Agreement").

Pursuant to the terms of the Amalgamation Agreement, DLP amalgamated with 1224395 B.C. Ltd. (the "Amalgamation"). The amalgamated entity became a wholly-owned subsidiary of MG, with the shareholders of DLP having been issued one common share of MG for every one DLP common share held immediately prior to the completion of the Amalgamation. The transaction resulted in MG as the listed issuer (the "Resulting Issuer"), owning 100% of the common shares of DLP.

The Amalgamation (and the other transactions contemplated by the Amalgamation Agreement) constituted the qualifying transaction of MG, as defined in the policies of the TSX Venture Exchange.

MG Capital Corporation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from incorporation on June 7, 2019 to April 30, 2020

(Expressed in Canadian Dollars)

For accounting purposes, the Amalgamation is accounted for as a reverse acquisition (“RTO”) by DLP. Legally, MG owns DLP, however, for accounting and presentation purposes, DLP is the parent entity. These consolidated financial statements reflect a continuation of the financial position, comprehensive loss, changes in equity and cash flows of DLP.

Without significant operating activities, MG did not meet the accounting definition of a business pursuant to IFRS 3, Business combinations, and therefore the transaction was accounted for as an acquisition of the net assets of MG by DLP in exchange for shares in the Resulting Issuer. The excess of the fair value of the consideration provided over the net assets received was expensed in the current period as listing costs.

As part of the transaction, the Company issued 1,925,000 common shares to Haywood Securities Inc. at fair value of \$161,700, being the value of the Company’s shares on date of grant. (See Note 7).

The acquisition cost and allocation of assets and liabilities are presented as follow:

Acquisition costs:	Fair value
5,510,000 shares issued to former MG shareholders	\$ 462,840
Finder’s fee	161,700
	\$ 624,540
Net assets acquired:	
Cash	\$ 134,557
Accounts payable and accruals	(62,566)
Listing costs	552,549
	\$ 624,540

6. INCOME TAXES

	Period from incorporation on June 7, 2019 to April 30, 2020
Loss before income taxes	\$ (1,262,756)
Income tax rate	27%
Income tax recovery using the statutory rate	(340,944)
Net adjustments for non-deductible amounts	119,665
Flow-through shares	46,442
Change in unrecognized deferred tax assets	174,837
Income tax expense (recovery)	\$ -

MG Capital Corporation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from incorporation on June 7, 2019 to April 30, 2020

(Expressed in Canadian Dollars)

The nature and tax effect of the temporary differences giving rise to the deferred tax assets and liabilities at April 30, 2020, summarized as follows:

Deferred tax assets	April 30, 2020
Non-capital loss carry-forwards	\$ 113,015
Mineral properties	46,693
Share issue costs	15,129
	174,837
Unrecognized deferred tax assets	(174,837)
	\$ -

The Company has non-capital loss carry-forwards of approximately \$419,000 that will expire in 2040.

7. SHARE CAPITAL

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

During the period from incorporation on June 7, 2019 to April 30, 2020, the Company issued 17,777,780 Common Shares for \$50,000 in cash, including 7,111,110 Common Shares 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. 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 "Unit") at \$0.10 per unit and 1,323,131 flow through shares ("FT Share") at \$0.13 per share. Each Unit is comprised of one common share and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will entitle the holder thereof to purchase one additional common share at an exercise price of \$0.15 per common share for a period of 2 years from the date of issue, subject to the Acceleration Right (as defined below). Each FT Share will qualify as a "flow-through share" as defined in s. 66(15) of the Income Tax Act (Canada). As of April 30, 2020, the Company incurred \$337,492 of qualified flow through expenditures and recognized a \$39,694 flow through share premium recovery on the statement of comprehensive loss.

The "Acceleration Right" means the Company has a right to accelerate the expiry date of the Warrants if the closing price of the shares of the Company 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 \$70,038 and issued 574,042 non-transferable warrants ("Compensation Warrants"). The Compensation Warrants are exercisable at a range of \$0.10 to \$0.13 into common shares of the Company for a period of 2 years from the closing date of the private placement. The Compensation Warrants were assigned a fair value of \$28,082 (see Note 8).

In connection with its role in connecting DLP and the Company in contemplation of the Transaction, there was a finder's fee payable to Haywood Securities Inc. ("Haywood") to be satisfied through delivery to Haywood of \$192,500, through the issuance of 1,925,000 common shares of the Company at a price of \$0.10 per common Share. (see Note 5).

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On March 25, 2020, the Company issued 112,500 common shares at \$0.10 per share for the first tranche of the Earn-In Agreement arrangement (see note 4).

8. WARRANTS

As of April 30, 2020, the Company had outstanding and exercisable warrants as follows:

	Warrants	Exercise price (C\$)	Fair value (C\$)	Expiry Date
Outstanding at June 7, 2019				
Issued for private placement	4,900,000	0.15	160,232	November 14, 2021
Issued for finders	525,000	0.10	25,988	November 14, 2021
Issued for finders	49,042	0.13	2,094	November 14, 2021
Outstanding at April 30, 2020	5,474,042	0.15	188,314	

The Company uses the Black-Scholes option pricing model to estimate the fair value of the finder's 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 the Company over a term equal to the expected term of the finder's warrants issued. The weighted average assumptions used in this pricing model, and the resulting weighted average fair values per finder's warrant for the finder's warrants issued during the period from incorporation on June 7, 2019 to April 30, 2020 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:	\$0.0489

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 April 30, 2020, the Company paid \$90,000 in consulting fees and \$66,964 in salaries and benefits to key management personnel.
- 2) Key management personnel of the Company contributed mineral property assets to the Company (Note 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) In connection with the mineral property assets to the Company (Note 4), 2 directors shall retain and be entitled to a royalty (the "Royalty") entitling 2 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.

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10. EARNING/LOSS PER SHARE

	For the period from incorporation on June 7, 2019 to April 30, 2020	
Loss attributable to ordinary shareholders	\$	1,262,756
Weighted average number of shares outstanding - basic		42,573,178
Basic and diluted loss per share	\$	0.03

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 consolidated financial instruments include cash and trade and other payables. *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 trade and other payables approximate their respective fair values due to their short-term nature.

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The following tables present the Company's financial assets and liabilities by level within the fair value hierarchy. They do not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

As at April 30, 2020	Carrying value		Fair value		
	FVTPL	Amortized cost	Level 1	Level 2	Level 3
Financial assets					
Cash	\$ -	\$ 414,728	\$ -	\$ -	\$ -
	\$ -	\$ 414,728	\$ -	\$ -	\$ -
Financial liabilities					
Trade and other payables	\$ -	\$ 26,568	\$ -	\$ -	\$ -
	\$ -	\$ 26,568	\$ -	\$ -	\$ -

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 Company does not have any exposure to interest rates.

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.

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.

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13. SUBSEQUENT EVENTS

On June 1, 2020, the Company appointed Ian Gendall as President and entered into an Employment Agreement in which the Company granted 1,000,000 incentive stock options to Mr. Gendall with an exercise price of \$0.15 per share for a five-year period, from the date of grant, in accordance with the terms of the Company's stock option plan.

On June 26, 2020, the Company staked the Moby Dick claim totaling 527.27 ha which adjoins the DD Property to the east. The property is 100% owned by the Company.

On July 2, 2020, a total of 25,000 warrants, entitling the warrant holder to purchase one common share per one warrant, were exercised at \$0.15 per share for total proceeds of \$3,750.

On July 13, 2020, the Company signed a definitive option agreement to earn up to 75% of PJX Resources' DD Property. The key terms of the definitive option agreement are as follows:

- The Company is to earn a 50% undivided interest in the DD Property by spending \$4,000,000 in exploration expenditures and making a total of \$250,000 cash payments to PJX over 48 months of the effective date of the agreement.
- The Company will have the right to earn an additional undivided 25% interest (75% total interest) by delivering a bankable commercial feasibility study on the DD Property within 96 months of the effective date of the agreement.
- Upon the Company's exercise of the Option and acquisition of a 50% or 75% interest in the DD Property, as applicable, the parties will enter into a joint venture agreement for the further development of the Property.

On July 15, 2020, a total of 75,000 warrants, entitling the warrant holder to purchase one common share per one warrant, were exercised at \$0.15 per share for total proceeds of \$11,250.

On July 29, 2020, a total of 25,000 warrants, entitling the warrant holder to purchase one common share per one warrant, were exercised at \$0.15 per share for total proceeds of \$3,750.

On July 29, 2020, the Company closed a non-brokered private placement of 2,922,051 common shares of the Company at a price of \$0.19 per common share and 4,856,954 flow-through common shares of the Company at a price of \$0.23 per flow-through share, for combined gross proceeds of \$1,672,289.

In connection with the placements, the Company paid an aggregate cash commission of \$116,384 and issued an aggregate of 541,146 non-transferable common share purchase warrants of the Company to certain eligible finders. Each finder's warrant will entitle the holder thereof to acquire one common share of the Company for an exercise price of \$0.25 per share for a period of two years from closing of the financing.

On July 30, 2020, the Company appointed a new director and granted 150,000 incentive stock options. The options will have a term of 5 years expiring July 30, 2025. The options shall vest over a 24-month period with one third vesting immediately, one third after 12 months and one third after 24 months. Each option will allow the holder to purchase one common share of the company at a price of \$0.29 per share.

On August 17, 2020, the Company signed an option agreement to earn up to 100% of 453999 BC Ltd.'s (the "Optionor") NZOU Property.

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The Company is to earn a 51% undivided interest in the NZOU Property by:

- Incurring exploration expenditures of \$15,000 by December 1, 2020;
- Issuing 75,000 common shares of the Company to the Optionor within 20 days of the date upon which the TSX Venture Exchange approves the option agreement;
- Issuing 75,000 common shares to the Optionor by February 28, 2021;
- Incurring exploration expenditures of \$50,000 by December 31, 2021;
- Issuing 75,000 common shares to the Optionor by February 28, 2022; and
- Issuing 75,000 common shares to the Optionor by February 28, 2023.

The Company can earn an additional 24% interest in the NZOU Property, bringing their total interest to 75%, by making a cash payment of \$100,000 to the Optionor by December 31, 2024.

The Company can earn an additional 25% interest in the NZOU Property, bringing their total interest to 100%, by issuing 100,000 common shares to the Optionor by December 31, 2025.

On August 19, 2020, a total of 100,000 warrants, entitling the warrant holder to purchase one common share per one warrant, were exercised at \$0.15 per share for total proceeds of \$15,000.