

**CASSIUS VENTURES LTD.**

Financial Statements

Years Ended October 31, 2019 and 2018

(Expressed in Canadian dollars)

## INDEPENDENT AUDITORS' REPORT

### To the Shareholders of Cassius Ventures Ltd.

#### Opinion

We have audited the financial statements of Cassius Ventures Ltd. (the "Company"), which comprise the statements of financial position as at October 31, 2019 and 2018, and the statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

#### Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our 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 the Company has not generated any revenues during the year ended October 31, 2019 and, as of that date, the Company had an accumulated deficit of \$6,525,095 and a working capital deficit of \$268,989. 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.

#### Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the financial statements and our auditor's report thereon.

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, 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. If, based on the work we have performed, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the 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 Henry Chow.

A handwritten signature in black ink that reads "SATURNA GROUP LLP". The letters are stylized and cursive.

Saturna Group Chartered Professional Accountants LLP  
Vancouver, Canada

February 26, 2020

**CASSIUS VENTURES LTD.**Statements of Financial Position  
(Expressed in Canadian Dollars)

|  | October 31,<br>2019 | October 31,<br>2018 |
|--|---------------------|---------------------|
| <b>Assets</b>                                      |                     |                     |
| Current assets                                     |                     |                     |
| Cash   | \$ 1,857            | \$ 2,514            |
| Amounts receivable                                 | 1,634               | 708                 |
| Prepaid expenses                                   | 833                 | 833                 |
| <b>TOTAL ASSETS</b>                                | <b>\$ 4,324</b>     | <b>\$ 4,055</b>     |
| <b>Liabilities</b>                                 |                     |                     |
| Current liabilities                                |                     |                     |
| Accounts payable and accrued liabilities (Note 4)  | \$ 63,155           | \$ 58,080           |
| Due to related parties (Note 7)                    | 49,658              | 42,954              |
| Promissory notes payable (Notes 4 and 7)           | 160,500             | 139,500             |
| <b>TOTAL LIABILITIES</b>                           | <b>273,313</b>      | <b>240,534</b>      |
| <b>Shareholders' Deficit</b>                       |                     |                     |
| Share capital                                      | 5,968,027           | 5,968,027           |
| Contributed surplus                                | 288,079             | 288,079             |
| Deficit  | (6,525,095)         | (6,492,585)         |
| Total Shareholders' Deficit                        | (268,989)           | (236,479)           |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT</b> | <b>\$ 4,324</b>     | <b>\$ 4,055</b>     |

Nature of operations and continuation of business (Note 1)

Approved for Issuance by the Board of Directors:

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*"John A. Thomas"*

Director

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*"Robert Atkinson"*

Director

(The accompanying notes are an integral part of these financial statements)

**CASSIUS VENTURES LTD.**Statements of Operations and Comprehensive Loss  
(Expressed in Canadian Dollars)

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|   | Year ended<br>October 31,<br>2019 | Year ended<br>October 31,<br>2018 |
|---|-----------------------------------|-----------------------------------|
| <b>Operating Expenses</b>                                   |                                   |                                   |
| Office and general  | 1,737                             | 1,232                             |
| Professional fees   | 7,524                             | 7,089                             |
| Transfer agent and regulatory                               | 12,755                            | 10,384                            |
| <b>Net loss from operations</b>                             | <b>(22,016)</b>                   | <b>(18,705)</b>                   |
| <b>Other Expense</b>  |                                   |                                   |
| Interest expense (Note 4)                                   | (10,494)                          | (8,994)                           |
| <b>Net loss and comprehensive loss for the year</b>         | <b>\$ (32,510)</b>                | <b>\$ (27,699)</b>                |
| <b>Loss per common share - basic and diluted</b>            | <b>\$ (0.00)</b>                  | <b>\$ (0.00)</b>                  |
| <b>Weighted average number of common shares outstanding</b> | <b>10,217,248</b>                 | <b>10,217,248</b>                 |

(The accompanying notes are an integral part of these financial statements)

**CASSIUS VENTURES LTD.**Statements of Changes in Equity  
(Expressed in Canadian Dollars)

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|                                   | Share capital       |                     | Contributed<br>surplus | Deficit               | Total<br>equity     |
|-----------------------------------|---------------------|---------------------|------------------------|-----------------------|---------------------|
|                                   | Number of<br>shares | Amount              |                        |                       |                     |
| <b>Balance - October 31, 2018</b> | <b>10,217,248</b>   | <b>\$ 5,968,027</b> | <b>\$ 288,079</b>      | <b>\$ (6,492,585)</b> | <b>\$ (236,479)</b> |
| Net loss for the year             | -                   | -                   | -                      | (32,510)              | (32,510)            |
| <b>Balance - Octobre 31, 2019</b> | <b>10,217,248</b>   | <b>\$ 5,968,027</b> | <b>\$ 288,079</b>      | <b>\$ (6,525,095)</b> | <b>\$ (268,989)</b> |

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|                                   | Share capital       |                     | Contributed<br>Surplus | Deficit               | Total<br>equity     |
|-----------------------------------|---------------------|---------------------|------------------------|-----------------------|---------------------|
|                                   | Number of<br>shares | Amount              |                        |                       |                     |
| <b>Balance - October 31, 2017</b> | <b>10,217,248</b>   | <b>\$ 5,968,027</b> | <b>\$ 288,079</b>      | <b>\$ (6,464,886)</b> | <b>\$ (208,780)</b> |
| Net loss for the year             | -                   | -                   | -                      | (27,699)              | (27,699)            |
| <b>Balance - October 31, 2018</b> | <b>10,217,248</b>   | <b>\$ 5,968,027</b> | <b>\$ 288,079</b>      | <b>\$ (6,492,585)</b> | <b>\$ (236,479)</b> |

(The accompanying notes are an integral part of these financial statements)

**CASSIUS VENTURES LTD.**Statements of Cash Flows  
(Expressed in Canadian Dollars)

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|  | Year ended<br>October 31,<br>2019 | Year ended<br>October 31,<br>2018 |
|--|-----------------------------------|-----------------------------------|
| <b>Operating activities</b>                          |                                   |                                   |
| Net loss for the year                                | \$ (32,510)                       | \$ (27,699)                       |
| Net changes in non-cash working capital<br>balances: |                                   |                                   |
| Amounts receivable                                   | (926)                             | 170                               |
| Accounts payable and accrued liabilities             | 5,075                             | (961)                             |
| Due to related parties                               | 6,704                             | 4,728                             |
| <b>Net cash used in operating activities</b>         | <b>(21,657)</b>                   | <b>(23,762)</b>                   |
| <b>Financing activities</b>                          |                                   |                                   |
| Proceeds from promissory notes                       | 21,000                            | 24,900                            |
| <b>Net cash provided by financing activities</b>     | <b>21,000</b>                     | <b>24,900</b>                     |
| Change in cash during the year                       | (657)                             | 1,138                             |
| Cash, beginning of year                              | 2,514                             | 1,376                             |
| <b>Cash, end of year</b>                             | <b>\$ 1,857</b>                   | <b>\$ 2,514</b>                   |

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(The accompanying notes are an integral part of these financial statements)

# **CASSIUS VENTURES LTD.**

Notes to the Financial Statements

For the Years Ended October 31, 2019 and 2018

(Expressed in Canadian Dollars)

## **1. Nature of Operations and Continuance of Business**

Cassius Ventures Ltd. (the “Company”) is an exploration stage company focused on acquiring exploration and/or development stage mineral properties for the purposes of further exploration and development. The Company was incorporated under the Business Corporations Act (British Columbia) on February 23, 2007. The Company maintains its head office at 595 Burrard Street, Suite 3083, Vancouver, British Columbia. The Company’s registered and records office is located at 595 Burrard Street, Suite 2900, Vancouver, British Columbia. Its common shares are traded on the NEX Board of the TSX Venture exchange under the symbol “CZ.H”.

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has yet to generate any revenues from operations and as at October 31, 2019, had an accumulated deficit of \$6,525,095 and a working capital deficit of \$268,989. The above conditions, along with other factors indicate the existence of material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern. The Company’s ability to continue operations in the normal course of business is dependent on several factors, including the ability to secure additional financing.

Although management is of the opinion that sufficient working capital will be obtained from a source of financing to meet the Company’s remaining current liabilities as well as future liabilities and commitments as they become due, there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. The financial statements do not include any additional adjustments to the recoverability and classification of certain recorded asset amounts, and changes to the statement of comprehensive operations that might be necessary if the Company was unable to continue as a going concern.

## **2. Basis of Presentation**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These financial statements are presented in Canadian dollars, which is the Company’s functional currency.

The Board of Directors approved these financial statements on February 26, 2020.

## **3. Summary of Significant Accounting Policies**

### **a) Cash and cash equivalents**

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.



## **CASSIUS VENTURES LTD.**

Notes to the Financial Statements  
For the Years Ended October 31, 2019 and 2018  
(Expressed in Canadian Dollars)

### **3. Summary of Significant Accounting Policies** (continued)

#### b) Earnings/Loss per share

Basic earnings/loss per share is calculated by dividing the earnings/loss attributable to common shareholders by the weighted average number of common shares outstanding during the period.

Diluted earnings/loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. Diluted loss per share has not been presented separately as the effect of common shares issuable on the exercise of stock options and share purchase warrants would be anti-dilutive. As at October 31, 2019 and 2018 the Company had 890,000 potentially dilutive shares from its issued and outstanding stock options.

#### c) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to contributed surplus.

Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from contributed surplus.

#### d) Current and deferred income taxes

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in the statement of operations and comprehensive loss except to the extent that it relates to items recognized either in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or in equity respectively.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable income or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

A deferred income tax asset is recognized to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

## CASSIUS VENTURES LTD.

Notes to the Financial Statements  
For the Years Ended October 31, 2019 and 2018  
(Expressed in Canadian Dollars)

### 3. Summary of Significant Accounting Policies (continued)

#### e) Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual areas of estimates include assumptions used in the accounting for share-based payments, and recognition of unrecognized deferred income tax assets. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the notes to the financial statements where applicable.

The Company's assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern

#### f) Financial instruments

##### Classification and measurement – initial recognition

On initial recognition, all financial assets and liabilities are classified and recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as at fair value through profit or loss ("FVTPL").

##### Classification and measurement – subsequent to initial recognition

Subsequent measurement of financial assets and liabilities depends on their classification and measurement basis.

##### *Financial Assets*

Subsequent to initial recognition, financial assets are measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss, depending on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if both of the following conditions are met:

- a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that do not meet the above conditions are classified as fair value through profit or loss. The Company's cash and amounts receivable are measured at amortized cost.

## CASSIUS VENTURES LTD.

Notes to the Financial Statements  
For the Years Ended October 31, 2019 and 2018  
(Expressed in Canadian Dollars)

### 3. Summary of Significant Accounting Policies (continued)

#### *Financial Liabilities*

Subsequent to initial recognition, financial liabilities are measured at amortized cost, unless designated as fair value through profit or loss. The Company's accounts payable and accrued liabilities, amounts due to related parties, and promissory notes payable are measured at amortized cost.

#### Impairment of Financial Assets

The Company applies the expected credit loss ("ECL") model to its financial assets measured at amortized cost. Under the ECL model, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Upon recognition of a financial asset, 12-month ECLs are recognized in the statement of operations and a loss allowance is established. At each reporting date, if the credit risk associated with a financial asset has increased significantly and is not considered low, lifetime ECLs are recognized in the statement of operations

#### g) Comprehensive income (Loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the statement of operations. As at October 31, 2019 and 2018, the Company had no items that represent comprehensive income (loss).

#### h) Application of New IFRS standards

##### *IFRS 9 Financial Instruments*

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39, Financial Instruments: Recognition and Measurement.

IFRS 9 introduces a new expected credit loss ("ECL") model for all financial assets in scope of the impairment requirements. The new ECL will result in an allowance for credit losses being recorded on financial assets irrespective of whether there has been an actual loss event.

The Company adopted the amendments to IFRS 9, effective November 1, 2018 using the full retrospective method, with no significant impact on the Company's financial statements.

#### i) Accounting standards issued but not yet effective

Certain pronouncements have been issued by the IASB, or the IFRS Interpretations Committee that are mandatory for fiscal years beginning on or after January 1, 2019, or later years.

IFRS 16, *Leases* – New standard that provides a single lessee accounting model which requires lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying assets has a low value. IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

## **CASSIUS VENTURES LTD.**

Notes to the Financial Statements

For the Years Ended October 31, 2019 and 2018

(Expressed in Canadian Dollars)

### **3. Summary of Significant Accounting Policies** (continued)

#### j) Reclassifications

Certain financial statement balances have been reclassified for consistency with the current year presentation.

### **4. Promissory Notes Payable**

As at October 31, 2019, the Company had outstanding promissory notes totalling \$160,500 (2018 - \$139,500). The promissory notes bear interest at 7%, are unsecured, and payable on demand. Refer to Note 7(c).

Interest expense incurred on the promissory notes for the year ended October 31, 2019 totalled \$10,494 (2018 - \$8,994), of which \$5,166 (2018 - \$4,620) has been recorded in accounts payable and accrued liabilities.

### **5. Share Capital**

The Company has an unlimited number of common shares without par value authorized.

### **6. Stock Options**

The Company has established a stock option plan (the "Plan") for its directors, executive officers, employees and consultants under which the Company may grant options to acquire a maximum number of common shares equal to 10% of the total issued and outstanding common shares of the Company exercisable for a period of up to 5 years from the date of grant.

Within any 12 month period, the maximum number of common shares reserved for issuance to any individual cannot exceed 5% of the issued common shares, and the maximum number of common shares reserved for issuance to any insider cannot exceed 10% of the issued common shares. The aggregate number of common shares reserved for issuance to insiders cannot exceed 10% of the issued common shares. Within any 12 month period, the maximum number of options granted to any one consultant cannot exceed 2% of the issued common shares and the maximum number of options granted to all employees and consultants conducting investor relations activities cannot exceed 2% of the issued common shares.

The exercise price of an option granted under this plan shall not be less than the discounted market price provided that:

- (i) if options are granted within 90 days of a distribution by a prospectus, the minimum exercise price of those options will be the greater of the discounted market price and the per share price paid by the public investors for shares acquired under the distribution;
- (ii) the 90 day period begins on the date a final receipt is issued for the prospectus;
- (iii) for unit offerings, the minimum option exercise price will be the 'base' (or imputed) price of the shares included in the unit; and
- (iv) for all other financings, the minimum exercise price will be the average price paid by the public investors.

The options granted to an optionee under this Plan shall vest at the discretion of the Board. In accordance with the policies of the TSXV, and subject to their approval to the contrary, options issued to consultants providing investor relations services must vest (and not otherwise be exercisable) in stages over a minimum of 12 months with no more than 25% of the options vesting in any three-month period.

## CASSIUS VENTURES LTD.

Notes to the Financial Statements  
For the Years Ended October 31, 2019 and 2018  
(Expressed in Canadian Dollars)

### 6. Stock Options (continued)

As at October 31, 2019 and 2018, the Company had the following stock options outstanding and exercisable:

|  | Number of<br>Options | Weighted average<br>exercise price |
|--|----------------------|------------------------------------|
| Options outstanding - October 31, 2017                                     | 915,000              | \$ 0.05                            |
| Expired  | (25,000)             | 0.05                               |
| <b>Options outstanding and exercisable -<br/>October 31, 2019 and 2018</b> | <b>890,000</b>       | <b>\$ 0.05</b>                     |

As at October 31, 2019, all outstanding stock options had an exercise price of \$0.05 with a weighted average remaining contractual life of 1.3 years.

### 7. Related Party Transactions

#### a) Key Management Compensation

Key management includes the Company's directors, Chief Executive Officer, and Chief Financial Officer. During the year ended October 31, 2019, the Company incurred \$nil (2018 - \$nil) of compensation awarded to key management for share-based payments.

#### b) Payments for services by related parties

As at October 31, 2019 and 2018, the Company owed \$25,812 to Oceanic Iron Ore Corp., a company with an officer in common.

As at October 31, 2019, the Company owed \$7,340 (2018 - \$5,964) to the Chief Financial Officer of the Company.

The amounts due to related parties other than those described in this Note 7(c) below are non-interest bearing, unsecured, and due on demand.

#### c) Promissory notes with related parties

As at October 31, 2019, the Company had \$57,000 (2018 - \$50,000) of outstanding promissory notes issued to a director and CEO of the Company, and \$26,500 (2018 - \$19,500) of outstanding promissory notes issued to a director and CFO of the Company. As at October 31, 2019, the Company owed \$16,506 (2018 - \$11,178) of accrued interest on related party promissory notes payable.

Interest incurred on the promissory notes due to related parties for the year ended October 31, 2019 totalled \$5,328 (2018 - \$4,374).

### 8. Income Taxes

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

**CASSIUS VENTURES LTD.**

Notes to the Financial Statements  
For the Years Ended October 31, 2019 and 2018  
(Expressed in Canadian Dollars)

**8. Income Taxes** (continued)

|  | <b>October 31,<br/>2019</b> | October 31,<br>2018 |
|--|-----------------------------|---------------------|
| Loss before income taxes                         | \$ (32,510)                 | \$ (27,699)         |
| Combined federal and provincial income tax rates | <b>27.00%</b>               | 27.00%              |
| Expected income tax recovery                     | <b>(8,778)</b>              | (7,479)             |
| Increase (decrease) due to:                      |                             |                     |
| Permanent difference                             | -                           | (275)               |
| Tax benefit of losses not recognized             | <b>8,778</b>                | 7,754               |
| <b>Income tax expense</b>                        | <b>\$ -</b>                 | <b>\$ -</b>         |

**The components of unrecognized deferred tax assets are as follows:**

|                                       | <b>October 31,<br/>2019</b> | October 31,<br>2018 |
|---------------------------------------|-----------------------------|---------------------|
| Non-capital losses                    | \$ 389,642                  | \$ 380,703          |
| Capital losses                        | \$ 554,968                  | \$ 554,968          |
| Mineral Property, plant and equipment | <b>109,310</b>              | 109,310             |
| Unrecognized deferred tax assets      | <b>(1,053,920)</b>          | (1,044,981)         |
|                                       | <b>\$ -</b>                 | <b>\$ -</b>         |

The Company has non-capital loss carry-forwards of \$1,443,120 (2018 - \$1,410,610) that may be available for income tax purposes. No deferred income tax asset has been recorded in respect of these losses as it is not probable that the Company will generate sufficient taxable income. The loss carry-forwards are all in respect of Canadian operations and expire as follows:

| <b>Expiry Date</b> | <b>Canada</b>       |
|--------------------|---------------------|
| October 31, 2027   | 26,008              |
| October 31, 2028   | 25,989              |
| October 31, 2029   | 68,734              |
| October 31, 2030   | 127,873             |
| October 31, 2031   | 359,908             |
| October 31, 2032   | 310,312             |
| October 31, 2033   | 218,794             |
| October 31, 2034   | 96,546              |
| October 31, 2035   | 83,584              |
| October 31, 2036   | 32,179              |
| October 31, 2037   | 31,964              |
| October 31, 2038   | 28,719              |
| October 31, 2039   | 32,510              |
|                    | <b>\$ 1,443,120</b> |

## CASSIUS VENTURES LTD.

Notes to the Financial Statements  
For the Years Ended October 31, 2019 and 2018  
(Expressed in Canadian Dollars)

### 9. Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities, promissory notes payable, and amounts due to related parties.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

#### Credit Risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company's exposure to credit risk is on its cash and amounts receivable. The Company's cash is being held with large financial institutions. Amounts receivable are comprised of GST receivable from the Government of Canada. The Company's credit risk is mitigated by maintaining its financial liquid assets with highly reputable counterparties. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets noted above.

#### Foreign Exchange Rate Risk

The Company is not currently exposed to any significant foreign exchange rate risk.

#### Liquidity Risk

The Company's cash is invested in business accounts which are available on demand. The Company manages liquidity risk by preparing and maintaining cash forecasts, which illustrate cash spent to date and cash needs over the short term. As at October 31, 2019, the Company had total current assets of \$4,324 (2018: \$4,055). Contractual undiscounted cash flow requirements for financial liabilities as at October 31, 2019 and 2018 are presented below.

October 31, 2019

|  | Less than 1 year | 1 - 3 years | 4 - 5 years | Total     |
|--|------------------|-------------|-------------|-----------|
| Accounts payable and accrued liabilities | \$ 63,155        | \$ -        | \$ -        | \$ 63,155 |
| Due to related parties                   | 49,658           | -           | -           | 49,658    |
| Promissory notes payable                 | 160,500          | -           | -           | 160,500   |

October 31, 2018

|  | Less than 1 year | 1 - 3 years | 4 - 5 years | Total     |
|--|------------------|-------------|-------------|-----------|
| Accounts payable and accrued liabilities | \$ 58,080        | \$ -        | \$ -        | \$ 58,080 |
| Due to related parties                   | 42,954           | -           | -           | 42,954    |
| Promissory notes payable                 | 139,500          | -           | -           | 139,500   |

The Company's ability to continue operations in the normal course of business is dependent on several factors, including the ability to secure additional financing, which is uncertain. Further information relating to liquidity risk is disclosed in Note 1.

#### Interest Rate Risk

As the Company's promissory notes bear a fixed interest rate, the Company is not significantly impacted by interest rate risk.

#### Price Risk

The Company is not currently exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities with a potential future project may be subject to risks associated with fluctuations in the market price of commodities.

## **CASSIUS VENTURES LTD.**

Notes to the Financial Statements  
For the Years Ended October 31, 2019 and 2018  
(Expressed in Canadian Dollars)

### **9. Financial Risk Management** (continued)

#### ***Fair Value***

A three-level hierarchy for fair value measurements exists based upon the significance of inputs used in making fair value measurements:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data.

The fair values of financial instruments, which include cash, amounts receivable, accounts payable, and accrued liabilities, promissory notes payable, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

### **10. Management of Capital**

The Company considers its capital to be its share capital and contributed surplus. The Company's objectives when managing capital are to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. In the management of capital, the Company includes the components of equity attributable to shareholders.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt, and acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions and also taking into consideration externally imposed capital requirements. The annual and updated budgets are approved by the Board of Directors, as required.

The Company's investment policy is to limit investments to guaranteed investment certificates, banker's acceptance notes, investment savings accounts, or money market funds with high quality financial institutions in Canada and treasury bills, selected with regards to the expected timing of expenditures from continuing operations. The Company has no externally imposed capital requirements. The Company's capital management policies have not significantly changed from the year ended October 31, 2018.