

Century Global Commodities Corporation

Condensed Consolidated Interim Financial Statements

(Unaudited)

June 30, 2020

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. An interim review has not been carried out by the Company's independent auditor.

Century Global Commodities Corporation
Condensed Consolidated Interim Statement of Financial Position
(Unaudited)
As of June 30, 2020

(Expressed in Canadian Dollars, unless otherwise stated)

	Notes	June 30, 2020 \$	March 31, 2020 \$
Assets			
Current assets			
Cash and cash equivalents		3,515,484	2,567,780
Short term bank deposits		1,119,703	1,119,345
Marketable securities	7	2,137,567	204,547
Trade and other receivables	8, 24	2,168,482	2,979,703
Lease receivable		76,456	75,068
Sales taxes and other taxes recoverable		62,605	78,617
Prepayments and deposits		337,009	122,894
Inventories	9	1,337,871	1,989,973
		<u>10,755,177</u>	<u>9,137,927</u>
Assets classified as held for sale		-	3,079,014
		<u>10,755,177</u>	<u>12,216,941</u>
Non-current assets			
Exploration and evaluation assets	10	8,836	8,082
Property, plant and equipment	11	103,469	115,235
Investment property	12	978,488	1,020,255
Right-of-use assets		300,477	365,375
Deferred tax assets		82,982	86,027
Investment in a joint venture	13	7,386,001	7,380,195
Investment in other equity instruments	7	67,814	70,306
Other receivables	8, 24	6,520,636	6,520,636
Lease receivable		27,455	47,095
		<u>15,476,158</u>	<u>15,613,206</u>
Total assets		<u>26,231,335</u>	<u>27,830,147</u>

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Century Global Commodities Corporation
Condensed Consolidated Interim Statement of Financial Position
(Unaudited)
As of June 30, 2020

(Expressed in Canadian Dollars, unless otherwise stated)

	Notes	June 30, 2020 \$	March 31, 2020 \$
Liabilities			
Current liabilities			
Trade and other payables	14	1,316,437	1,830,897
Lease liabilities		258,579	260,699
		<u>1,575,016</u>	<u>2,091,596</u>
Liabilities directly associated with assets classified as held for sale		-	1,565,754
		<u>1,575,016</u>	<u>3,657,350</u>
Non-current liabilities			
Lease liabilities		87,641	154,937
		<u>87,641</u>	<u>154,937</u>
Total liabilities		<u>1,662,657</u>	<u>3,812,287</u>
Shareholders' equity			
Share capital	15	117,057,236	117,057,236
Contributed surplus		3,070,034	3,326,663
Deficit		(96,844,282)	(97,709,723)
Other components of equity		1,285,690	736,646
		<u>1,285,690</u>	<u>736,646</u>
Equity attributable to owners of the Company		<u>24,568,678</u>	<u>23,410,822</u>
Non-controlling interests		-	607,038
		<u>-</u>	<u>607,038</u>
Total equity		<u>24,568,678</u>	<u>24,017,860</u>
Total equity and liabilities		<u>26,231,335</u>	<u>27,830,147</u>

Approved by the Board of Directors

/s/ "Sandy Chim" Director
Date: August 13, 2020

/s/ "Kit Ying (Karen) Lee" Director
Date: August 13, 2020

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Century Global Commodities Corporation
Condensed Consolidated Interim Statement of Profit or Loss
(Unaudited)
For the three months ended June 30, 2020

(Expressed in Canadian Dollars, unless otherwise stated)

		Three months ended June 30,	
		2020	2019
	Notes	\$	\$
Revenue	6, 18	2,481,033	2,125,005
Cost of sales		<u>(1,916,823)</u>	<u>(1,652,060)</u>
Gross profit		564,210	472,945
Other income	19	127,853	40,414
Selling expenses		(105,914)	(113,361)
Administrative expenses	20	(1,095,233)	(1,460,057)
Project maintenance costs		(7,446)	(7,155)
Share-based compensation expenses	16	(1,071)	(18,814)
Loss on foreign exchange		(20,893)	(23,612)
Gain on disposal of a subsidiary	23	1,554,576	-
Exchange loss on the dissolution of a subsidiary in other currencies		(174,509)	(380,072)
Interest expense		(4,718)	(3,720)
Share of profit of a joint venture	13	5,806	23,851
Net profit/(loss) for the period		<u>842,661</u>	<u>(1,469,581)</u>
Attributable to:			
Owners of the Company		577,066	(1,438,873)
Non-controlling interests		<u>265,595</u>	<u>(30,708)</u>
		<u>842,661</u>	<u>(1,469,581)</u>
Net profit/(loss) per share attributable to owners of the Company			
– Basic and diluted	21	<u>0.01</u>	<u>(0.01)</u>
Weighted average number of shares outstanding		<u>98,504,571</u>	<u>98,504,571</u>

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Century Global Commodities Corporation
Condensed Consolidated Interim Statement of Comprehensive Income
(Unaudited)
For the three months ended June 30, 2020

(Expressed in Canadian Dollars, unless otherwise stated)

	Three months ended June 30,	
	2020	2019
	\$	\$
Net profit/(loss) for the period	842,661	(1,469,581)
Other comprehensive income		
Exchange gain/(loss) on translation of operations in other currencies	(78,605)	21,104
Changes in fair value of investment in equity instruments at FVTOCI	534,108	73,300
Other comprehensive income for the period	455,503	94,404
Total comprehensive income/(loss) for the period	1,298,164	(1,375,177)
Attributable to:		
Owners of the Company	1,032,569	(1,344,469)
Non-controlling interests	265,595	(30,708)
	1,298,164	(1,375,177)

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Century Global Commodities Corporation
Condensed Consolidated Interim Statement of Changes in Equity
(Unaudited)
For the three months ended June 30, 2020

(Expressed in Canadian Dollars, unless otherwise stated)

	Attributable to owners of the Company								Total \$
	Share capital \$	Contributed surplus \$	Deficit \$	Share-based compensation reserve \$	Special warrant reserve \$	Investment fair value reserve \$	Foreign currency translation reserve \$	Non- controlling interests \$	
Balance – April 1, 2020	117,057,236	3,326,663	(97,709,723)	1,619,001	-	(54,214)	(828,141)	607,038	24,017,860
Net profit for the period	-	-	577,066	-	-	-	-	265,595	842,661
Other comprehensive income/(loss) for the period	-	-	-	-	-	534,108	(78,605)	-	455,503
Total comprehensive income/(loss) for the period	-	-	577,066	-	-	534,108	(78,605)	265,595	1,298,164
Disposal of marketable securities	-	-	58,293	-	-	(58,293)	-	-	-
Disposal of a subsidiary (note 23)	-	(256,629)	230,082	(23,746)	-	-	-	(872,633)	(922,926)
Dissolution of a subsidiary in other currencies	-	-	-	-	-	-	174,509	-	174,509
Equity-settled share-based compensation arrangements (note 16)	-	-	-	1,071	-	-	-	-	1,071
Balance – June 30, 2020	117,057,236	3,070,034	(96,844,282)	1,596,326	-	421,601	(732,237)	-	24,568,678

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Century Global Commodities Corporation
Condensed Consolidated Interim Statement of Changes in Equity
(Unaudited)
For the three months ended June 30, 2020

(Expressed in Canadian Dollars, unless otherwise stated)

	Attributable to owners of the Company								Total \$
	Share capital \$	Contributed surplus \$	Deficit \$	Share-based compensation reserve \$	Special warrant reserve \$	Investment fair value reserve \$	Foreign currency translation reserve \$	Non- controlling interests \$	
Balance – March 31, 2019	117,057,236	3,096,367	(91,631,767)	1,566,462	347,940	(310,169)	(1,413,239)	(95,828)	28,617,002
Effect of adoption of IFRS 16 (note 4)	-	-	(25,152)	-	-	-	-	-	(25,152)
Balance – April 1, 2019, restated	117,057,236	3,096,367	(91,656,919)	1,566,462	347,940	(310,169)	(1,413,239)	(95,828)	28,591,850
Net loss for the period	-	-	(1,438,873)	-	-	-	-	(30,708)	(1,469,581)
Other comprehensive income for the period	-	-	-	-	-	73,300	21,104	-	94,404
Total comprehensive income/(loss) for the period	-	-	(1,438,873)	-	-	73,300	21,104	(30,708)	(1,375,177)
Disposal of marketable securities	-	-	(32,017)	-	-	32,017	-	-	-
Dissolution of a subsidiary in other currencies	-	(20,538)	20,538	-	-	-	229,194	-	229,194
Conversion of CMI's special warrant certificates (note 17)	-	95,594	-	-	(347,940)	-	-	252,346	-
Dividends declared and settled (note 22)	-	155,240	(599,964)	-	-	-	-	444,724	-
Equity-settled share-based compensation arrangements (note 16)	-	-	-	18,814	-	-	-	-	18,814
Balance – June 30, 2019	117,057,236	3,326,663	(93,707,235)	1,585,276	-	(204,852)	(1,162,941)	570,534	27,464,681

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Century Global Commodities Corporation
Condensed Consolidated Interim Statement of Cash Flows
(Unaudited)
For the three months ended June 30, 2020

(Expressed in Canadian Dollars, unless otherwise stated)

Cash generated by/(used in)	Notes	Three months ended June 30,	
		2020	2019
		\$	\$
Operating activities			
Net profit/(loss) for the period		842,661	(1,469,581)
Adjustments for			
Bank and other interest income		(7,213)	(18,947)
Dividend income from marketable securities		-	(979)
Loss on foreign exchange		20,893	23,612
Loss on disposal of fixed assets		-	48,124
Depreciation	11, 12	19,806	33,348
Amortization of right-of-use assets		57,345	55,283
Share-based compensation arrangements	16	1,071	18,814
Gain on disposal of a subsidiary	23	(1,554,576)	-
Exchange reserve written off on the dissolution of a subsidiary in other currencies		174,509	229,194
Share of profit of a joint venture	13	(5,806)	(23,851)
Changes in working capital items			
Decrease in trade and other receivables		811,221	589,267
Decrease in sales taxes and other taxes recoverable		16,012	9,383
Increase in prepayments and deposits		(214,115)	(53,542)
Decrease in inventories		652,102	14,678
Increase/(decrease) in trade and other payables		(514,460)	563,875
Net cash generated by operating activities		299,450	18,678
Investing activities			
Bank and other interest received		7,213	18,947
Short term bank deposits invested		(358)	(1,004,239)
Dividends received from marketable securities		-	979
Marketable securities purchased		-	(104,279)
Proceeds from sale of marketable securities		133,452	149,395
Exploration and evaluation assets		(754)	(25,733)
Purchases of property, plant and equipment		(1,203)	(3,433)
Proceeds from sale of property, plant and equipment		-	19,610
Disposal of a subsidiary	23	(1,792,821)	-
Proceeds from finance lease arrangements		18,252	16,972
Net cash used in investing activities		(1,636,219)	(931,781)
Financing activities			
Principal payments of lease liabilities		(63,220)	(60,383)
Net cash used in financing activities		(63,220)	(60,383)
Net change in cash and cash equivalents		(1,399,989)	(973,486)

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Century Global Commodities Corporation
Condensed Consolidated Interim Statement of Cash Flows
(Unaudited)
For the three months ended June 30, 2020

(Expressed in Canadian Dollars, unless otherwise stated)

	Three months ended June 30,	
	2020	2019
	\$	\$
Net change in cash and cash equivalents	(1,399,989)	(973,486)
Cash and cash equivalents – Beginning of period	4,994,547	5,746,934
Effect of foreign exchange rate changes, net	(79,074)	49,928
Cash and cash equivalents – End of period	<u>3,515,484</u>	<u>4,823,376</u>
Analysis of cash and cash equivalents		
Cash in bank and on hand	3,515,484	4,744,252
Short term bank deposits with original maturity of three months or less	-	79,124
Cash and cash equivalents – End of period	<u>3,515,484</u>	<u>4,823,376</u>

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Century Global Commodities Corporation
Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited)
June 30, 2020

(Expressed in Canadian Dollars, unless otherwise stated)

1. Nature of operations

Century Global Commodities Corporation (the “Company”) is a limited liability company incorporated in Canada. In February 2016, the Company completed the continuation of its jurisdiction of incorporation from Canada to the Cayman Islands (“Continuation”). Its registered address is PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands. The Company’s shares are traded on the Toronto Stock Exchange (“TSX”).

The Company is a diversified company primarily engages in exploration and mining activities with assets in the Provinces of Newfoundland and Labrador, and Québec, Canada. It also has operations in the distribution of food in China.

These condensed consolidated interim financial statements were approved by the Board of Directors for issue on August 13, 2020.

2. Basis of preparation

The condensed consolidated interim financial statements of the Company and its subsidiaries (the “Group”) have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The condensed consolidated interim financial statements should be read in conjunction with the Group’s audited consolidated annual financial statements for the year ended March 31, 2020 filed on SEDAR at www.sedar.com on June 29, 2020, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

3. Significant accounting policies

The significant accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those disclosed in note 3 of the audited consolidated annual financial statements for the year ended March 31, 2020, except for the adoption of new and amended standards that became applicable to the Group in the current interim period, as described in note 4 below.

Basis of measurement

The condensed consolidated interim financial statements have been prepared under the historical cost convention. These condensed consolidated interim financial statements are presented in the Canadian Dollar, which is the Group’s presentation currency.

4. Changes in accounting policies

Several amendments and interpretations apply for the first time in the current reporting period, but do not have an impact on the interim condensed consolidated financial statements of the Group.

On April 1, 2019, the Group applied, for the first time, IFRS 16 *Leases* in its condensed consolidated interim financial statements. The changes in accounting policies and the retrospective adjustments arising from the adoption of the new standard were described in note 4 of the Company’s audited consolidated annual financial statements for the year ended March 31, 2020.

Century Global Commodities Corporation
Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited)
June 30, 2020

(Expressed in Canadian Dollars, unless otherwise stated)

The effect of adoption of IFRS 16 on the Group's condensed consolidated interim statement of financial position as at April 1, 2019 was as follows:

	April 1, 2019
	\$
Increase in right-of-use assets, at net book value	312,066
Increase in lease liabilities	(372,213)
Decrease in other payables	<u>34,995</u>
Increase in deficit	<u>25,152</u>

5. Critical accounting estimates and judgments

The Group makes estimates and assumptions concerning the future that are believed to be reasonable under the circumstances. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events. The critical accounting estimates and judgments applied in these condensed consolidated interim financial statements are consistent with those disclosed in note 5 of the audited consolidated annual financial statements for the year ended March 31, 2020.

6. Segment information

The Group's operating segments are as follows:

- (i) the mining segment, which engages in the exploration and development of mineral projects in Canada and the investment in global mining securities;
- (ii) the food segment, which engages in the distribution of food in Hong Kong, China; and
- (iii) the corporate segment, which mainly represents the Group's corporate and managerial functions.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the condensed consolidated interim financial statements. In measuring segment performance, segment assets and segment liabilities, management applied certain judgments and assumptions to determine the appropriate allocation of certain centrally incurred costs, jointly used or shared assets and liabilities for individual segment. However, the Group's financing activities (including cash and cash equivalents, short term bank deposits and bank interest income) are managed on a Group basis and are presented under the corporate segment.

Century Global Commodities Corporation
Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited)
June 30, 2020

(Expressed in Canadian Dollars, unless otherwise stated)

The following tables present information for the Group's operating segments for the three months ended June 30, 2020 and 2019, respectively.

For the three months ended June 30, 2020	Mining \$	Food \$	Corporate \$	Total \$
<u>Segment revenue</u>				
Revenue from contracts with external customers:				
Distribution of food	-	2,481,033	-	2,481,033
<u>Segment profit or loss</u>				
Gross profit	-	564,210	-	564,210
Income and gains:				
Interest income	1,974	-	5,239	7,213
Other income or gains	17,081	76,099	27,460	120,640
	<u>19,055</u>	<u>76,099</u>	<u>32,699</u>	<u>127,853</u>
Expenses:				
Selling expenses	-	105,914	-	105,914
Salaries, pension and directors' fees	276,274	265,403	207,989	749,666
Consulting and professional fees	48,255	967	136,711	185,933
Corporate promotion and listing fees	2,069	-	5,698	7,767
Other administrative expenses	45,545	61,328	44,994	151,867
Project maintenance costs	7,446	-	-	7,446
Share-based compensation expenses	429	392	250	1,071
Loss/(gain) on foreign exchange	61,153	4,201	(44,461)	20,893
Interest expense	2,213	-	2,505	4,718
Gain on disposal of a subsidiary	(1,554,576)	-	-	(1,554,576)
Exchange loss on the dissolution of a subsidiary in other currencies	-	-	174,509	174,509
Share of profit of a joint venture	(5,806)	-	-	(5,806)
	<u>(1,116,998)</u>	<u>438,205</u>	<u>528,195</u>	<u>(150,598)</u>
Net profit/(loss) for the period	<u>1,136,053</u>	<u>202,104</u>	<u>(495,496)</u>	<u>842,661</u>

Century Global Commodities Corporation
Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited)
June 30, 2020

(Expressed in Canadian Dollars, unless otherwise stated)

For the three months ended June 30, 2019	Mining	Food	Corporate	Total
	\$	\$	\$	\$
<u>Segment revenue</u>				
Revenue from contracts with external customers:				
Distribution of food	-	2,052,738	-	2,052,738
Provision of food service	-	72,267	-	72,267
	-	2,125,005	-	2,125,005
<u>Segment profit or loss</u>				
Gross profit	-	472,945	-	472,945
Income and gains:				
Interest income	3,261	-	15,811	19,072
Other income or gains	979	20,363	-	21,342
	4,240	20,363	15,811	40,414
Expenses:				
Selling expenses	-	113,361	-	113,361
Salaries, pension and directors' fees	274,868	385,900	121,075	781,843
Consulting and professional fees	307,641	2,872	61,556	372,069
Corporate promotion and listing fees	12,914	-	8,274	21,188
Other administrative expenses	86,451	137,235	61,271	284,957
Project maintenance costs	7,155	-	-	7,155
Share-based compensation expenses	5,888	8,090	4,836	18,814
Loss/(gain) on foreign exchange	(18)	9,966	13,664	23,612
Interest expense	3,385	-	335	3,720
Exchange loss on the dissolution of a subsidiary in other currencies	-	-	380,072	380,072
Share of profit of a joint venture	(23,851)	-	-	(23,851)
	674,433	657,424	651,083	1,982,940
Net loss for the period	(670,193)	(164,116)	(635,272)	(1,469,581)

The following table presents assets and liabilities information for the Group's operating segments as at June 30 and March 31, 2020, respectively:

	Mining	Food	Corporate	Total
	\$	\$	\$	\$
<u>Total asset</u>				
June 30, 2020	16,569,617	3,520,905	6,140,813	26,231,335
March 31, 2020	18,694,478	3,952,259	5,183,410	27,830,147
<u>Total liabilities</u>				
June 30, 2020	235,417	544,733	882,507	1,662,657
March 31, 2020	2,218,419	770,878	822,990	3,812,287

Century Global Commodities Corporation
Notes to the Condensed Consolidated Interim Financial Statements
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June 30, 2020

(Expressed in Canadian Dollars, unless otherwise stated)

7. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (“FVTOCI”) comprise marketable securities and other equity investment. During the period, the Group invested in certain equity securities in Canada and Hong Kong. The Group has elected to designate these investments as at FVTOCI.

An analysis of financial assets at FVTOCI as at the balance sheet date is as follows:

	June 30, 2020	March 31, 2020
	\$	\$
<u>Financial assets at FVTOCI</u>		
Listed equity securities – Canada, at fair value	2,137,567	204,547
Unlisted equity securities – Hong Kong, at fair value	67,814	70,306

8. Trade and other receivables

	June 30, 2020	March 31, 2020
	\$	\$
Trade receivables (i)	1,679,965	1,627,856
Other receivables	488,517	351,847
Receivable from Labec Century (ii)	3,309,865	4,309,865
Receivable from WISCO Century Sunny Lake (ii)	3,210,771	3,210,771
	<u>8,689,118</u>	<u>9,500,339</u>
Classified as:		
Current assets	2,168,482	2,979,703
Non-current assets	6,520,636	6,520,636
	<u>8,689,118</u>	<u>9,500,339</u>

Due to the short-term nature of trade and other receivables, their carrying amount is considered to be the same as their fair value.

- (i) Trade receivables are non-interest bearing and are generally on terms of 60 to 90 days.
- (ii) Labec Century and WISCO Century Sunny Lake are the Company’s joint venture and the operator of the Company’s Sunny Lake Joint Venture respectively. As at June 30, 2020, total receivables from Labec Century and WISCO Century Sunny Lake amounted to \$6,520,636 (March 31, 2020: \$7,520,636), all of which is classified as non-current (March 31, 2020: \$1,000,000 was classified as current and \$6,520,636 as non-current). Please refer to note 24 for the details of the balances.

Century Global Commodities Corporation
Notes to the Condensed Consolidated Interim Financial Statements
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June 30, 2020

(Expressed in Canadian Dollars, unless otherwise stated)

9. Inventories

	June 30, 2020	March 31, 2020
	\$	\$
Trading merchandise held for sale	1,337,871	1,989,973

10. Exploration and evaluation assets

	\$
<u>Trudeau gold and other non-ferrous properties</u>	
Balance – March 31, 2019	455,697
Additions	127,654
Investment tax credits	52,503
Classified as assets held for sale – Trudeau gold property	<u>(627,772)</u>
Balance – March 31, 2020	8,082
Additions	<u>754</u>
Balance – June 30, 2020	<u>8,836</u>

Trudeau gold property

The Trudeau gold property is an early stage gold-focused polymetallic exploration project, located approximately 35 kilometres northwest of the city of Rouyn-Noranda, Québec. Century Metals Inc. (“CMI”), formerly known as Trudeau Gold Inc., a wholly owned subsidiary of the Company, holds a 100% interest in the property consisting of three non-contiguous claim groups surrounding Duparquet Lake, namely Fabie, Trudeau and Eastchester.

As at March 31, 2020, exploration and evaluation assets of the Trudeau gold property was classified as assets held for sale. On June 3, 2020, the property was disposed of upon the completion of CMI’s reverse takeover transaction. For details, please refer to note 23.

Impairment assessment of iron ore properties

At March 31, 2016, with the weakening iron ore market condition, an impairment review was performed on both the Duncan Lake property and Sunny Lake property, and the review has resulted in impairment charges of \$17,494,260 and \$3,160,465 to the Duncan Lake property and Sunny Lake property, respectively. After the impairment charges, the net book value of both properties became nil. Further details about the assumptions and conditions pertaining to the impairment review are provided in note 15 of the audited consolidated annual financial statements for the year ended March 31, 2016.

At June 30, 2020, the net book value of the above two properties remains nil. In the event that the prospects for the development of the mineral projects are enhanced in the future, an assessment of the recoverable amount of the projects will be performed at that time, which may lead to a reversal of part or all of the impairment that has been recognized.

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Duncan Lake property

On May 20, 2008, the Company's wholly-owned subsidiary Canadian Century Iron Ore Corporation ("Canadian Century") entered into an option and joint venture agreement (the "Augyva Agreement") with Augyva Mining Resources Inc. ("Augyva") to have an option to obtain a 51% interest in the Duncan Lake property once \$6.0 million has been funded on or before the fourth anniversary of the date of the Augyva Agreement. The Group completed its funding commitment of \$6.0 million on the Duncan Lake property in November 2010 and, as a result, obtained a 51% interest in this property. Canadian Century recognized its share of costs incurred in the Duncan Lake property. Canadian Century had an additional option to obtain a further 14% of the Duncan Lake property by spending an additional \$14.0 million in exploration costs, construction, and/or operating costs or completing a feasibility report on or before the eighth anniversary of the date of the Augyva Agreement. In October 2012, Canadian Century notified Augyva that it has expended a further \$14.0 million on the project under the Augyva Agreement. The transfer registration of 14% was completed in May 2013.

As of June 30, 2020, the Group has a 65% registered interest in the Duncan Lake property and is in the process of registering approximately an additional 3% interest as a result of its contribution to the exploration expenditure incurred for the property subsequent to the earn-in of its 65% interest in the property. Subsequent to the balance sheet date, in July 2020, the Group has completed the registration of its 3% additional interest in the Duncan Lake property, and the Group's registered interest in the property has increased to 68%.

Sunny Lake property

On December 19, 2011, the Company and WISCO International Resources Development & Investment Limited ("WISCO") entered into the Sunny Lake joint venture agreement (the "Sunny Lake JV Agreement") that governs the joint venture formed between the Company and WISCO for the exploration and development of the Sunny Lake property (the "Sunny Lake Joint Venture"). Under the Sunny Lake JV Agreement, WISCO could earn a 40% interest in the Sunny Lake property by investing a total of \$40.0 million in the Sunny Lake Joint Venture.

The operating company for the Sunny Lake Joint Venture, WISCO Century Sunny Lake Iron Mines Limited ("WISCO Century Sunny Lake" or the "Operator"), was incorporated on June 29, 2012. The Sunny Lake property was held in trust for 0849873 B.C. Ltd. ("B.C. Ltd."), a wholly-owned subsidiary of the Company, and WISCO Canada Sunny Lake Resources Development & Investment Limited ("WISCO Sunny Lake") in accordance with their interests in the Sunny Lake Joint Venture under the Sunny Lake JV Agreement.

On November 28, 2012, the Company and WISCO entered into a closing agreement (the "Sunny Lake Closing Agreement"), providing WISCO Sunny Lake with an option to purchase from B.C. Ltd. up to a 40% interest in the Sunny Lake Joint Venture.

On April 2, 2013, pursuant to the Sunny Lake Closing Agreement, WISCO Sunny Lake acquired a 17.1% interest in the Sunny Lake property for the consideration of \$8,612,875 paid to B.C. Ltd. The amount represents the exploration expenditure of \$17,096,459 previously incurred by the Group, less estimated tax credits relating to such exploration expenditures of \$8,483,584 that are available to the Group. As a result of this payment, WISCO Sunny Lake acquired a 17.1% interest in the Sunny Lake property.

Subsequent to the acquisition of ownership interest of 17.1%, WISCO Sunny Lake acquired an additional 1.8% interest in the Sunny Lake property for the consideration of \$1,800,000, increasing its interest in the property to 18.9%. On January 1, 2016, WISCO Sunny Lake was amalgamated with WISCO Canada ADI Resources Development & Investment Limited ("WISCO ADI").

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As at June 30, 2020, the Company owns 81.1% of the Sunny Lake property and the remaining funding obligation of WISCO ADI to earn in up to a 40% of interest in the property is \$21.1 million.

11. Property, plant and equipment

	Land \$	Drilling & field equipment \$	Camp & properties \$	Leasehold improvements, furniture & fixtures \$	Computer & office equipment \$	Vehicles \$	Total \$
<u>Cost</u>							
Balance - March 31, 2019	137,177	971,427	2,115,000	428,124	464,835	99,948	4,216,511
Additions	-	-	-	-	6,393	954	7,347
Disposals	-	-	-	(109,923)	(87,614)	(60,146)	(257,683)
Transfer to investment property (note 12)	-	-	(965,170)	(70,229)	-	-	(1,035,399)
Exchange differences	-	-	(64,281)	(2,346)	4,272	(1,088)	(63,443)
Balance - March 31, 2020	137,177	971,427	1,085,549	245,626	387,886	39,668	2,867,333
Additions	-	-	-	-	1,203	-	1,203
Disposals	-	-	-	-	-	-	-
Exchange differences	-	-	-	(3,804)	(4,769)	-	(8,573)
Balance - June 30, 2020	137,177	971,427	1,085,549	241,822	384,320	39,668	2,859,963
<u>Accumulated depreciation and impairment</u>							
Balance - March 31, 2019	100,000	971,427	1,139,372	188,480	386,290	76,883	2,862,452
Depreciation	-	-	21,185	44,534	36,035	2,642	104,396
Disposals	-	-	-	(55,877)	(50,063)	(39,686)	(145,626)
Transfer to investment property (note 12)	-	-	(71,147)	(3,229)	-	-	(74,376)
Exchange differences	-	-	(3,861)	3,407	5,877	(171)	5,252
Balance - March 31, 2020	100,000	971,427	1,085,549	177,315	378,139	39,668	2,752,098
Depreciation	-	-	-	9,665	2,361	-	12,026
Disposals	-	-	-	-	-	-	-
Exchange differences	-	-	-	(3,180)	(4,450)	-	(7,630)
Balance - June 30, 2020	100,000	971,427	1,085,549	183,800	376,050	39,668	2,756,494
<u>Net book value</u>							
Balance - June 30, 2020	37,177	-	-	58,022	8,270	-	103,469
Balance - March 31, 2020	37,177	-	-	68,311	9,747	-	115,235

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12. Investment property

	\$
<u>Cost</u>	
Balance – April 1, 2019	-
Transfer from property, plant and equipment (note 11)	1,035,399
Exchange differences	<u>72,358</u>
Balance – March 31, 2020	1,107,757
Exchange differences	<u>(37,027)</u>
Balance – June 30, 2020	<u>1,070,730</u>
<u>Accumulated depreciation and impairment</u>	
Balance – April 1, 2019	-
Transfer from property, plant and equipment (note 11)	74,376
Depreciation	7,591
Exchange differences	<u>5,535</u>
Balance – March 31, 2020	87,502
Depreciation	7,780
Exchange differences	<u>(3,040)</u>
Balance – June 30, 2020	<u>92,242</u>
<u>Net book value</u>	
Balance – June 30, 2020	<u>978,488</u>
Balance – March 31, 2020	<u>1,020,255</u>

13. Investment in a joint venture

The Group's investment in Labec Century Iron Ore Inc. ("Labec Century") is as follows:

	\$
Balance – March 31, 2019	7,708,819
Share of profit of Labec Century	31,376
Impairment	<u>(360,000)</u>
Balance – March 31, 2020	7,380,195
Share of profit of Labec Century	<u>5,806</u>
Balance – June 30, 2020	<u>7,386,001</u>

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The financial information of Labec Century is summarized as follows:

	June 30, 2020 \$'000	March 31, 2020 \$'000
Assets		
Current assets*	13,242	11,032
Non-current assets	5,377	8,801
Liabilities		
Current liabilities	5,664	6,887
Non-current liabilities	-	-
* Includes cash and cash equivalents of	9,299	10,355
	Three months ended June 30, 2020 \$'000	2019 \$'000
Profit from continuing operations	10	40
Total comprehensive income	10	40

The principal activities of Labec Century are to explore and develop the Attikamagen property. Since January 1, 2016, Labec Century reduced its exploration activities to claims maintenance only to preserve cash for the iron ore market to recover in the future. The principal place of business is in the Province of Québec, Canada. Labec Century is the sole owner of the Attikamagen property.

On December 19, 2011, the Company and WISCO entered into a shareholders agreement (the “Attikamagen Shareholders Agreement”) that governs the joint venture to be formed between the Company and WISCO for the exploration and development of the Attikamagen property. Under the Attikamagen Shareholders Agreement, WISCO can obtain a 40% interest in the Group’s share of the Attikamagen property by investing a total of \$40 million.

On September 26, 2012, the initial closing procedures prescribed in the Attikamagen Shareholders Agreement were completed, with WISCO Canada Attikamagen Resources Development & Investment Limited (“WISCO Attikamagen”) purchasing from Labec Century:

- (i) 40 million Class A voting common shares, representing 40% of the outstanding voting common shares of Labec Century, for \$4,000, and
- (ii) 20 million Class B non-voting shares, representing 25% of the outstanding non-voting common shares of Labec Century, for \$20 million.

As part of a reorganization completed prior to the initial closing procedures, the Company’s wholly-owned subsidiary, Century Iron Ore Holdings Inc. (“Century Holdings”), purchased:

- (i) 60 million Class A voting shares, representing 60% of the outstanding voting common shares of Labec Century, for \$6,000, and
- (ii) exchanged its then 100% outstanding common shares of Labec Century for 60 million Class C non-voting shares, representing 75% of the outstanding non-voting shares of Labec Century.

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As a result of completion of the initial closing transactions in 2012, Labec Century ceased to be a subsidiary of the Group and became a joint venture of the Group that is accounted for in accordance with IFRS 11. The disposition of the subsidiary resulted in a non-cash accounting gain of \$47,722,258 for the year ended March 31, 2013.

On September 19, 2013, WISCO Attikamagen purchased an additional 20 million Class B non-voting shares for a subscription price of \$20 million. After the subscription, WISCO Attikamagen's ownership is increased to 40% of the non-voting shares of Labec Century, while Century Holdings' ownership is reduced to 60% of the non-voting shares. On January 1, 2016, WISCO Attikamagen was amalgamated with WISCO ADI.

As at June 30, 2020, the Group continues to own a 60% interest in Labec Century.

14. Trade and other payables

	June 30, 2020	March 31, 2020
	\$	\$
Trade payables	432,228	622,346
Other payables and accruals	884,209	1,208,551
	<u>1,316,437</u>	<u>1,830,897</u>

The carrying amounts of trade and other payables are considered to be the same as their fair values due to their short-term nature.

Trade payables are non-interest bearing and are generally paid within 30 to 60 days.

15. Share capital

Authorized

Prior to the Continuation, authorized share capital was unlimited number of common shares, with no par value. Upon the Continuation on February 1, 2016, authorized share capital was changed to 5,000,000,000 ordinary shares, with \$0.001 par value each.

Issued and fully paid

At June 30, 2020, the Company had 98,504,571 ordinary shares issued and outstanding, representing an amount of \$117,057,236. There is no change in issued share capital for the period.

	Number of shares	\$
Balance – March 31 and June 30, 2020	<u>98,504,571</u>	<u>117,057,236</u>

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16. Share-based compensation arrangements

	Three months ended June 30,	
	2020	2019
	\$	\$
Share options expense	1,071	18,814

The Group has adopted an equity incentive plan (the “Plan”) which is administered by the Board of Directors of the Group. The Plan provides that the Board of Directors of the Group may from time to time, at its discretion and in accordance with TSX requirements, grant to directors, officers, employees and consultants to the Group, options to purchase shares and other forms of equity-based incentive compensation, provided that the number of shares issued and reserved for issuance will not exceed 15% of the issued and outstanding shares.

Share options

Share options granted under the Plan are exercisable for a period of up to 5 years or 10 years from the date of grant. Options issued pursuant to the Plan will have an exercise price determined by the directors of the Group provided that the exercise price shall not be less than the price permitted by the TSX.

The share options outstanding as of June 30, 2020 are as follows:

	Number of options	Weighted average exercise price \$
Balance – March 31, 2019	8,717,500	0.30
Forfeited	<u>(165,000)</u>	0.35
Balance – March 31 and June 30, 2020	<u>8,552,500</u>	0.30

The exercise prices and exercise periods of the share options outstanding as of June 30, 2020 are as follows:

Number of options	Exercise price \$	Exercise period
4,067,500	0.345	March 9, 2015 to March 8, 2025
300,000	0.345	June 1, 2015 to May 31, 2025
100,000	0.345	November 11, 2015 to November 10, 2025
195,000	0.345	February 5, 2016 to February 4, 2026
3,240,000	0.22	August 4, 2016 to August 3, 2026
<u>650,000</u>	0.345	June 23, 2017 to June 22, 2027
<u>8,552,500</u>		

As of the balance sheet date, the weighted average remaining contractual life of the outstanding share options is 5.4 years, and all options are vested and exercisable.

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Share awards

Under the Plan, the Board may grant awards of share units subject to vesting and other terms and conditions at its discretion as to performance, milestones, other internal or external conditions, or length of the grantee's employment or service provision. The Board shall also determine at its discretion, at any time before or after vesting until actual settlement, whether payment under the share units will be made in shares, cash, securities or other property, or a combination thereof.

Share units outstanding under the Plan are shown as follows:

	Time-based	Operational	Financial	Number of	Weighted average
	(i)	(ii)	(iii)	share units	fair value at the
					measurement date
					\$
Balance – March 31, 2019	-	9,750	9,750	19,500	0.40
Expired	-	(9,750)	(9,750)	(19,500)	0.40
Balance – March 31 and June 30, 2020	-	-	-	-	

The share units have been allocated to the grantees under three types of vesting conditions: time-based targets, operational targets and financial targets.

- (i) **Time-based target:** the share units will be fully vested if the individual grantee is still employed by the Company on the third anniversary of the grant date.
- (ii) **Operational target:** the share units will be vested upon the achievement of certain mining and exploration-related targets set out by the Board. The actual amount of share units to be vested under these operational targets will vary depending on the level of performance relative to the targets based on an award multiplier of 0% to 200%. The vesting date of the share units will be the earlier of: five years from the grant date or the achievement dates of the respective operational targets. Management estimated that the period of vesting would occur between November 2018 and March 2020.
- (iii) **Financial target:** the share units will be vested if the two-year average annualized cash costs of iron ore produced and shipped for the projects of the Company or under its joint arrangements meet certain target set out by the Board and the two-year earnings before interest, taxes, depreciation and amortization (EBITDA) of the projects is positive. The actual amount of share units to be vested under the financial target will vary depending on the level of performance relative to the target based on an award multiplier of 0% to 200%. The vesting date of the share units will be the earlier of: five years from the grant date or the achievement date of the financial target. Management estimated that the period of vesting would occur between November 2018 and March 2020.

The fair value of the share units granted was estimated based on the market price of the Company's shares on the date of grant.

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17. Special warrant reserve

	Number of special warrants	\$
Balance – March 31, 2019	5,798,999	347,940
Conversion of CMI’s special warrant certificates	<u>(5,798,999)</u>	<u>(347,940)</u>
Balance – March 31 and June 30, 2020	<u>-</u>	<u>-</u>

On March 8, 2018, CMI offered to investors to subscribe for its special warrants at a subscription price of \$0.06 per unit (the “Special Warrant Private Placement”). On July 9, September 7 and November 2, 2018, CMI has completed three tranches of the Special Warrant Private Placement and issued 4,531,999, 1,263,000 and 1,267,000 special warrant certificates for gross proceeds of approximately \$271,920, \$75,780 and \$76,020, respectively. In total, CMI has issued 7,061,999 special warrants for aggregate proceeds of approximately \$423,720. No broker or finder fees were paid on these private placement exercises.

On March 7, 2019, 1,263,000 special warrant certificates issued on September 7, 2018 were converted automatically into 1,263,000 common shares of CMI upon reaching the six-month anniversary of the issuance of the special warrants. On April 4, 2019, the remaining 5,798,999 special warrant certificates of CMI were converted automatically into 5,798,999 common shares of CMI upon the prospectus qualification of CMI’s common shares.

On May 27, 2019, the Company announced that May 31, 2019 was set as the record date for the spin-out transaction of CMI. The spin-out of CMI would happen in the form of a distribution of shares of CMI to the Company’s shareholders other than those residing in Québec and the United States, who would receive cash instead of shares. All of the Company’s shareholders of record at the close of business on the record date would be entitled to receive one CMI’s share for every 9.851 Company’s shares held. For those shareholders who would receive cash instead of shares, the CMI’s shares they entitled would be delivered to a custodian for sale in the open market following the distribution, and the net cash proceeds would be delivered to them, net of any withholding taxes (if any). The distribution was completed on June 12, 2019. After the spin-out transaction, the Company still maintains a 50.2% controlling ownership in CMI.

On June 17, 2019, CMI began trading on the TSX Venture Exchange under the stock symbol CMET.

18. Revenue

During the period, the Group’s revenue arose from the distribution of food. An analysis of the Group’s revenue from contracts with customers is provided in note 6. All of the Group’s sales revenue were derived from Hong Kong, China and were recognized according to accounting policy as described in note 3 of the Company’s audited consolidated annual financial statements for the year ended March 31, 2020.

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19. Other income

	Three months ended June 30,	
	2020	2019
	\$	\$
Marketing service income	41,671	16,919
Bank and other interest income	7,213	19,072
Dividend income	-	979
Other income	78,969	3,444
	<u>127,853</u>	<u>40,414</u>

20. Administrative expenses

	Three months ended June 30,	
	2020	2019
	\$	\$
Salaries, pension and directors' fees	749,666	781,843
Consulting and professional fees	185,933	372,069
General office expenses	64,816	146,605
Travel	9,900	49,721
Corporate promotion and listing fees	7,767	21,188
Depreciation and amortization	77,151	88,631
	<u>1,095,233</u>	<u>1,460,057</u>

21. Net profit/(loss) per share attributable to owners of the Company

The basic net profit/(loss) per share calculated amount is the same as the fully diluted net profit/(loss) per share amount as the Company's share-based compensation plans are anti-dilutive.

22. Dividends

	Three months ended June 30,	
	2020	2019
	\$	\$
Dividends on ordinary shares declared and settled	-	599,964

On May 27, 2019, the Company announced the detailed plan of the spin-out transaction of CMI, which would happen in the form of a distribution of shares of CMI to the Company's shareholders other than those residing in Québec and the United States, who would receive cash instead of shares. The distribution was completed on June 12, 2019, with 9,999,406 shares of CMI at a fair value of \$0.06 per share being distributed to the Company's shareholders. For details of the spin-out transaction of CMI, please refer to note 17.

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23. Disposal of a subsidiary

On June 3, 2020, CMI, the Company's subsidiary engaging in the exploration of mineral properties located in the Province of Québec, Canada, completed the acquisition of all the issued and outstanding shares of Reyna Silver Corp. ("Reyna Silver"). Upon closing of the transaction, CMI changed its name to Reyna Silver Corp., and the majority of the entity's outstanding shares is owned by the former shareholders of Reyna Silver, while the Group retains an interest of 3.67%. As a result, the Group is deemed to have disposed of CMI after the transaction. Subsequent to the transaction, the Group accounted for its interest in CMI as an investment designated as at FVTOCI, and classified it as marketable securities in the condensed consolidated interim statement of financial position as at June 30, 2020.

The carrying values of the assets and liabilities disposed of, and the gain on disposal of the subsidiary are summarized as follows:

	\$
Net assets disposed of:	
Cash	2,388,234
Sales taxes and other taxes recoverable	30,076
Exploration and evaluation assets	1,494,629
Accounts payable and accrued liabilities	<u>(2,262,526)</u>
	<u>1,650,413</u>
Fair value of the remaining interest in CMI deemed as consideration received	1,528,968
Net assets disposed of	(1,650,413)
Non-controlling interest	822,651
Realization of pre-disposal intra-group profit on CMI disposal	<u>853,370</u>
Gain on disposal of a subsidiary	<u>1,554,576</u>

The net cash outflow from the disposal of a subsidiary is analyzed as follows:

	\$
Cash disposed of	2,388,234
Accounts receivable from the subsidiary	<u>(595,413)</u>
Net cash outflow on the disposal of a subsidiary	<u>1,792,821</u>

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24. Related party transactions

- (a) In addition to transactions detailed elsewhere in the condensed consolidated interim financial statements, the Group has the following related party transactions:
- (i) As of June 30, 2020, the Group had accounts receivable of \$3,309,865 (March 31, 2020: \$4,309,865) from Labec Century. The balance mainly comprised of exploration expenditure at the Attikamagen property incurred and paid by the Group on behalf of Labec Century after Labec Century became the Group's joint venture. The balance is repayable upon request.
 - (ii) As of June 30, 2020, the Group had accounts receivable of \$3,210,771 (March 31, 2020: \$3,210,771) from WISCO Century Sunny Lake. The balance represented exploration expenditure at the Sunny Lake property incurred and paid by the Group on behalf of WISCO Century Sunny Lake. The balance is repayable upon request.
 - (iii) As of June 30, 2020, the Group had accounts receivable of \$186,181 (March 31, 2020: \$193,578) from management for an advance for business purpose.
- (b) The remuneration of the Group's directors and officers during the period is summarized below:

	Three months ended June 30,	
	2020	2019
	\$	\$
Salaries and directors' fees	298,050	275,800
Share-based compensation expenses	494	12,812
	298,544	288,612

25. Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk including interest rate risk, foreign currency exchange risk and capital market risk.

Risk management is carried out by the Group's management team with guidance from the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

The Group's financial assets and financial liabilities have been classified into categories that determine their basis of measurement. As at June 30, 2020 and March 31, 2020, the Group's financial instruments are comprised of cash and cash equivalents, short term bank deposits, marketable securities, investment in other equity instruments, trade and other receivables, trade and other payables. With the exception of cash and cash equivalents, marketable securities and investment in other equity instruments, all other financial instruments of the Group are measured at amortized cost.

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The following table shows the carrying values, fair values and fair value hierarchy of the Group's financial instruments that are measured at fair value as at June 30, 2020 and March 31, 2020:

	Level	June 30, 2020		March 31, 2020	
		Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
Marketable securities	1	2,137,567	2,137,567	204,547	204,547
Investment in other equity instruments	3	67,814	67,814	70,306	70,306
		<u>2,205,381</u>	<u>2,205,381</u>	<u>274,853</u>	<u>274,853</u>

Fair values of financial instruments are determined by valuation methods depending on hierarchy levels as defined below:

Level 1 – Quoted market price in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted market prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. observed prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs for the assets or liabilities are not based on observable market data.

The movements in fair value measurements within Level 3 are as follows:

	2020
	\$
Balance – March 31, 2019	66,442
Exchange differences recognized in profit or loss	<u>3,864</u>
Balance – March 31, 2020	70,306
Exchange differences recognized in profit or loss	<u>(2,492)</u>
Balance – June 30, 2020	<u>67,814</u>

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Group's credit risk is primarily attributable to cash, marketable securities and receivables. Cash and cash equivalents and short term bank deposits are held with major banks, and marketable securities are held with a reputable securities broker with investment guidelines set by management which are intended to limit credit risk. The Group's receivables mainly represented an amount owing from its joint ventures, Labec Century and WISCO Century Sunny Lake. Management believes the risk of loss to be minimal.

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The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognized a loss allowance of 100% against all trade receivables over one year past due because historical experience has indicated that these receivables are generally not recoverable. No provision has been made for trade receivables that are past due for less than one year as these receivables are generally recoverable based on historical experience.

Liquidity risk

The Group's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As of June 30, 2020, the Group has cash and cash equivalents and short-term bank deposits of \$4,635,187 (March 31, 2020: \$3,687,125) to settle current liabilities of \$1,575,016 (March 31, 2020: \$2,091,596). Most of the Group's financial liabilities have contractual maturities of 30 days or less and are subject to normal trade terms. The Group's objective for liquidity risk management is to maintain sufficient liquid financial resources to fund the consolidated balance sheets, pursue growth and development strategies, and to meet commitments and obligations in the most cost-effective manner possible. The Group achieves this by maintaining sufficient cash and cash equivalents and managing working capital. The Group monitors its financial position on a monthly basis at minimum. The Group's operations may not generate sufficient cash flow to fund obligations. The Company may need to take additional measures to increase its liquidity and capital resources, including obtaining additional debt or equity financing, pursuing joint-venture arrangements, or other financing arrangements. The Group may experience difficulty in obtaining satisfactory financing terms and failure to obtain adequate financing on satisfactory terms could have a material adverse effect on the Group's results of operations or financial condition.

Market risk

Market risk is the risk of loss that may arise from changes in market factors, such as interest rates and foreign currency exchange rates and the movement in capital markets.

(a) Interest rate risk

The Group has cash balances only and it has no interest-bearing debt. The Group's current policy is to invest most of its excess cash in interest bearing accounts or term deposits with large reputable banks. The Group periodically monitors the investments it makes and is satisfied with the credit ratings of the banks holding the cash and short-term deposits of the Group. An absolute increase or decrease of 1% in the annual interest rate would not have a material impact on the net profit or equity at June 30, 2020.

(b) Foreign currency exchange risk

The Group's principal functional currencies are the Canadian Dollar and the Hong Kong Dollar. Sales revenue of the Group's food business is mainly denominated in Hong Kong Dollar, while the major purchases of the business are denoted in US Dollar, Australian Dollar and Euro. The major expenses of the Group are transacted in Canadian Dollar and Hong Kong Dollar. The Group is also subject to exchange fluctuations arising from the translation of the foreign currency monetary items of the Group's overseas subsidiaries. In addition, the Group's marketable securities, if partially denominated in foreign currency, are subject to foreign currency exchange risk.

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Management closely monitors the exchange fluctuations of the principal foreign currencies of the Group's food business and uses means to lock up the foreign currency exchange rate of its purchases or transfers exchange differences to its customers to reduce the Group's foreign currency exposures. Management believes the foreign currency exchange risk derived from its other activities is low and therefore does not hedge the foreign currency exchange risk arising from these other activities.

(c) Capital market risk

The Group's current policy is to invest some portion of its excess cash in marketable securities, primarily shares of publicly listed mining companies. The Group sets investment guidelines, including pre-set targeted capital allocation and returns, exit and entry prices, and periodically monitors the investments it makes. The Group is satisfied with the financial and operating performance of the mining companies the Group invests in. An absolute increase or decrease of 5% in the investment return would not have a material impact on the net profit or equity at June 30, 2020.

26. Capital management

The Group considers its capital structure to consist of share capital, contributed surplus and deficit, which, as at June 30, 2020, amounted to \$23,282,988. When managing capital, the Group's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to the shareholders and benefits for other stakeholders. Management adjusts the capital structure, as necessary, in order to support the acquisition, exploration and development of its mineral properties. The Board of Directors does not establish a quantitative return on capital criteria for management but, rather, relies on the expertise of the Group's management team to sustain the future development of the business.

The Group is dependent on external financing to fund its strategic initiatives and exploration and project development activities in the long term. In order to carry out the business plan and pay for administrative costs, the Group will utilize its existing working capital and raise additional amounts when economic conditions permit it to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Group, is appropriate. The Group's capital management objectives, policies and processes have remained unchanged during the period ended June 30, 2020. The Group is not subject to externally imposed capital requirements.