# MONITOR VENTURES INC.

## FINANCIAL STATEMENTS

## AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Monitor Ventures Inc.

***Opinion***

We have audited the accompanying financial statements of Monitor Ventures Inc. (the "Company"), which comprise the balance sheets as at December 31, 2020 and 2019, and the statements of (loss) income and comprehensive (loss) income, changes in shareholders' deficiency, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

***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 in our audits is sufficient and appropriate to provide a basis for our opinion.

***Material Uncertainty Related to Going Concern***

We draw attention to Note 2 of the financial statements, which indicates that the Company has incurred negative operating cash flows since its incorporation and, as at December 31, 2020, the Company had a working capital deficit of $928,813 and an accumulated shareholders' deficiency of $928,813. As stated in Note 2, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

***Other Information***

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 auditor's report is David Harris.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

April 28, 2021

**MONITOR VENTURES INC.**
BALANCE SHEETS
IN CANADIAN DOLLARS

| | **December 31, 2020** | December 31, 2019 |
|---|---|---|
| | **$** | $ |
| **ASSETS** | | |
| **Current assets** | | |
| Cash | **3,049** | 29,231 |
| Total current assets | **3,049** | 29,231 |
| Reclamation deposit (Note 5) | **-** | 10,728 |
| **Total assets** | **3,049** | 39,959 |
| | | |
| **LIABILITIES AND SHAREHOLDERS' DEFICIENCY** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities (Notes 6 and 9) | **721,563** | 721,307 |
| Shareholder loan (Note 7) | **210,299** | 208,217 |
| **Total liabilities** | **931,862** | 929,524 |
| **Shareholders' deficiency** | | |
| Share capital (Note 8) | **30,538,998** | 30,538,998 |
| Equity reserves | **3,905,996** | 3,905,996 |
| Deficit | **(35,373,807)** | (35,334,559) |
| **Total shareholders’ deficiency** | **(928,813)** | (889,565) |
| **Total liabilities and shareholders’ deficiency** | **3,049** | 39,959 |

**Basis of presentation and continuance of operations (Note 2)**

**Event subsequent to the reporting date (Note 14)**

**On behalf of the Board:**

*Signed: “William Radvak”* Director

*Signed: “Brian E. Bayley”* Director

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

**MONITOR VENTURES INC.**
STATEMENTS OF (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME
IN CANADIAN DOLLARS

| | For the Years Ended December 31, | |
|---|---|---|
| | **2020** | 2019 |
| | **$** | $ |
| **General and administrative expenses:** | | |
| Transfer agent, listing and filing fees | **17,922** | 16,567 |
| Audit and legal services | **16,513** | 19,120 |
| Investor relations and shareholder information | **5,848** | 6,162 |
| Interest on shareholder loan (Note 7) | **2,082** | 2,062 |
| Office facilities and administrative services | **340** | 663 |
| **Total general and administrative expenses** | **(42,705)** | (44,574) |
| Foreign exchange gain | **3,269** | 6,325 |
| Interest income | **188** | 663 |
| Gain on derecognition of accounts payable and accrued liabilities (Note 6) | **-** | 199,490 |
| Loss on derivative assets (Note 4) | **-** | (7,779) |
| **Net (loss) income and comprehensive (loss) income** | **(39,248)** | 154,125 |
| **Basic and diluted (loss) income per share** (Note 13) | **(0.01)** | 0.05 |

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

IN CANADIAN DOLLARS

| | Share Capital | Equity Reserves | Deficit | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Balance, December 31, 2018 | 30,538,998 | 3,905,996 | (35,488,684) | (1,043,690) |
| Net income for the year | - | - | 154,125 | 154,125 |
| Balance, December 31, 2019 | 30,538,998 | 3,905,996 | (35,334,559) | (889,565) |
| Loss for the year | - | - | (39,248) | (39,248) |
| **Balance, December 31, 2020** | **30,538,998** | **3,905,996** | **(35,373,807)** | **(928,813)** |

IN CANADIAN DOLLARS

| | For the Years Ended December 31, | |
|---|---|---|
| | **2020** | 2019 |
| | **$** | $ |
| **CASH FLOWS USED IN OPERATING ACTIVITIES** | | |
| Net (loss) income | **(39,248)** | 154,125 |
| Items not involving cash: | | |
| Accrued interest on shareholder loan | **2,082** | 2,062 |
| Gain on derecognition of accounts payable and accrued liabilities | **-** | (199,490) |
| Loss on derivative assets | **-** | 7,779 |
| Changes in non-cash working capital balances: | | |
| Accounts payable and accrued liabilities | **256** | (18,903) |
| Non-operating items: | | |
| Interest income | **(188)** | (663) |
| **Net cash used in operating activities** | **(37,098)** | (55,090) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Refund of reclamation deposit | **10,728** | - |
| Interest income | **188** | 663 |
| Proceeds from sale of marketable securities | **-** | 39,715 |
| Acquisition of marketable securities | **-** | (30,000) |
| **Net cash from investing activities** | **10,916** | 10,378 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from advance | **-** | 100,000 |
| Repayment of advance | **-** | (100,000) |
| **Net cash from financing activities** | **-** | - |
| **Change in cash for the year** | **(26,182)** | (44,712) |
| **Cash, beginning of year** | **29,231** | 73,943 |
| **Cash, end of year** | **3,049** | 29,231 |

**Supplemental Cash Flow Information**

There were no non-cash investing or financing activities during the years ended December 31, 2020 and 2019.

## 1. NATURE OF OPERATIONS

Monitor Ventures Inc. (the "Company") currently has no commercial operations and has a significant working capital deficiency as a result of liabilities arising from previous commercial activities. In recent years it has improved its financial position by way of the sale of assets, debt forgiveness and the issuance of shares for debt. The Company seeks to further reduce its accounts payable and accrued liabilities and commence new commercial operations, but it requires additional financing to remain a going concern (Note 2).

The Company is incorporated under the *Canada Business Corporations Act* and its principal place of business is Suite #1703, 595 Burrard St., Vancouver, British Columbia, Canada. The Company's shares trade on the NEX tier of the TSX-Venture Exchange (the "Exchange") under the symbol "MVI.H". Additional information on the Company is available on www.sedar.com.

### COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the COVID-19 coronavirus outbreak a pandemic, which continues to spread globally. Having no commercial operations, the COVID-19 pandemic has not had a significant impact on the Company's routine operations or on the carrying value of its assets. However, the pandemic's effect on broader capital markets may hinder the Company's ability to enter new commercial operations or raise additional financing.

## 2. BASIS OF PRESENTATION AND CONTINUANCE OF OPERATIONS

### Statement of compliance

These financial statements, including comparative periods, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements have been prepared in accordance with IFRS in effect as at December 31, 2020. Significant accounting policies and the applicable basis of measurement used in the preparation of these financial statements are described in Note 3.

These financial statements were authorized by the Board of Directors on April 28, 2021.

### Going concern

These financial statements have been prepared on the assumption that the Company will continue on a going concern basis. However, the Company has incurred negative operating cash flows since its incorporation and, as at December 31, 2020, the Company has a working capital deficit of $928,813 (December 31, 2019 - $900,293) and a shareholders' deficiency of $928,813 (December 31, 2019 - $889,565). Without operating cash flows, the Company requires additional financing to sustain its operations.

In recent years, the Company has been unable to raise the amounts required to fund its operations in equity markets and has relied on asset disposals and shareholder loans to fund the general and administrative expenses required for a publicly-traded entity. As a result of the Company's current financial position and challenging access to capital, there can be no assurance that the Company will be able raise additional funds in the future, in which case the Company may be unable to meet its financial obligations. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are those policies which the Company has applied for its financial statements for the years ended December 31, 2020 and 2019. These policies have been applied to all periods presented in these financial statements.

### Basis of measurement and presentation currency

The balances in these financial statements are prepared using the accrual basis of accounting and have been measured on a historical cost basis, except for cash flow information and financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value.

Unless otherwise indicated, these financial statements are presented in Canadian dollars.

### Foreign currency translation

Balances and transactions that are denominated in currencies other than the functional currency are translated to the functional currency as follows:

- Revenue and expense items are translated at the foreign exchange rates prevailing on the dates they occur.
- Non-monetary assets and liabilities are translated at historical foreign exchange rates, unless such items are carried at market value, in which case they are translated at the exchange rate in effect at period end.
- Monetary assets and liabilities are translated at the foreign exchange rate in effect at period end.

Gains and losses arising from changes to the exchange rates used to translate foreign-denominated balances and transactions into the functional currency are recorded as a component of profit or loss in the period in which they occur.

### Financial instruments

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value along with, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

The Company classifies its financial assets and financial liabilities in the following measurement categories:

i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
ii) those to be measured at amortized cost.

*Financial assets*

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit or loss or other comprehensive income.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

*Financial assets (continued)*

The Company has classified its financial assets as follows:

- Cash and derivative assets are measured at fair value with changes to fair value subsequent to initial recognition being recorded in profit or loss for the period in which they occur.
- Reclamation deposits are measured at amortized cost using the effective interest rate method. Interest income, where material, is recorded in profit or loss.

*Impairment of financial assets*

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost.

*Financial liabilities*

Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). Any fair value changes due to credit risk for liabilities designated at fair value through profit or loss are recorded in other comprehensive income.

The Company's financial liabilities include accounts payable, accrued liabilities and its shareholder loan payable, all of which are measured at amortized cost using the effective interest rate method. Interest expense, where material, is recorded in profit or loss.

The Company derecognizes a financial liability when the liability is extinguished by way of discharge, cancellation or expiry.

### Current and deferred income taxes

Current taxes receivable or payable are estimated on taxable income for the current period at the statutory tax rates enacted or substantively enacted on the balance sheet date.

Deferred tax assets and liabilities are recognized based on the difference between the tax and accounting values of assets and liabilities and are calculated using enacted or substantively enacted tax rates for the periods in which the differences are expected to reverse. The effect of tax rate changes is recognized in earnings or equity, as the case may be, in the period of substantive enactment.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits of the relevant entity or group of entities, in a particular jurisdiction, will be available against which the assets can be utilized.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Stock-based compensation

The Company recognizes a stock-based compensation charge in profit or loss for stock options granted to employees, officers and directors of the Company, as well as to external consultants. The stock-based compensation charge is based on the fair value of option awards granted, measured using the Black-Scholes option pricing model at the date of issue. The fair value of stock options granted is amortized to expense on a graded basis over the vesting periods of the option granted with an off-setting amount recorded in equity reserves. Any expense recorded for options that are forfeited because non-market vesting conditions are not satisfied is reversed in the period in which forfeiture occurs.

### Warrants

Warrants are typically issued by the Company as compensation for services or as part of a share unit. Compensatory warrants are measured using the Black-Scholes option pricing model. Warrants issued as part of a share unit are valued at their residual value which is measured as the incremental difference between the value of the combined share and warrant unit and the fair value of the stand-alone shares. The value attributed to warrants is recorded as a component of equity reserves and is reclassified to share capital when the warrants are exercised, or expire.

### Income or loss per share

Basic income or loss per share is calculated using the weighted-average number of shares outstanding during the period. Diluted income per share reflects the dilutive effect of options, warrants and other convertible instruments. Under this method, the dilutive effect on earnings per share reflects the assumption that the proceeds from the exercise of options, warrants and other convertible instruments are used to purchase and cancel common shares at the average market price during the period. In periods that the Company reports a net loss, loss per share is not presented on a diluted basis, as the result would be anti-dilutive.

### Judgments, estimates and measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts and presentation of assets, liabilities, revenues, expenses and disclosures of contingencies and commitments. Although these estimates are based on management's expectations for the likely outcome, timing and amounts of events or transactions, actual results may differ from these expectations and the corresponding amounts and disclosures reported in these financial statements.

Areas where management is required to make significant estimations or where measurements are uncertain are as follows:

*Gains on derecognition of amounts payable and accrued liabilities*

The Company recognizes gains on the derecognition of amounts payable and accrued liabilities for amounts that are significantly past due. The recognition of such gains requires judgment based on factors such as the age of such amounts, statutes of limitation for debt collection and the time elapsed since the most recent contact with creditors.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Judgments, estimates and measurement uncertainty (continued)

*Taxation*

Tax provisions are recognized to the extent that it is probable that there will be a future outflow of funds to a taxation authority. Such provisions often require judgment on the treatment of certain taxation matters that may not have been reported or assessed by the taxation authority at the date of these financial statements. Differences in judgment by the taxation authority could result in changes to actual taxes payable (or receivable) by the Company.

Deferred tax assets are recognized to the extent that it is probable that certain taxable losses or deferred expenditures will be utilized by the Company to reduce future taxes payable. The amount of deferred tax assets recognized, if any, is based on objective evidence that the Company will generate sufficient future taxable income to utilize these deferred assets, as well as the expected future tax rates that will apply to these assets. Changes to the Company’s ability to generate sufficient taxable income or changes to enacted tax rates could result in the write-down of deferred tax assets, or the recognition of new deferred tax assets.

## 4. DERIVATIVE ASSETS

As at January 1, 2019, the Company owned warrants to acquire 100,000 common shares of Prophecy Development Corp. (“Prophecy”), a TSX-listed company. The warrants had a $17,494 fair value, determined using the Black-Scholes option-pricing model. During the year ended December 31, 2019, the Company exercised the warrants for $30,000 and sold the acquired shares for $39,715, resulting in a realized gain of $9,715 for the year. For the same period, the Company recognized a $7,779 loss on the revaluation of the warrants to their eventual realized value.

## 5. RECLAMATION DEPOSIT

As at December 31, 2019 the Company had US$8,260 on deposit with government environmental agencies as security for the environmental reclamation of mineral properties previously leased by the Company, which was to be refunded to the Company following final approval of environmental reclamation previously conducted. During the year ended December 31, 2020, the Company was notified that its reclamation work was approved with no further obligations and the reclamation deposit was refunded.

## 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Most of the Company’s accounts payable and accrued liabilities as at December 31, 2020 relate to former commercial activities. During the year ended December 31, 2020, the Company recognized a $nil (2019 - $199,490) gain on the write-off and derecognition of accounts payable and accrued liabilities.

## 7. SHAREHOLDER LOAN

The Company has a $200,000 loan outstanding to a shareholder of the Company under a promissory note that is payable on demand and which accrues interest at a rate of 1% per annum. During the year ended December 31, 2020, the Company recorded interest expense of $2,082 (2019 - $2,062) and as at December 31, 2020, the combined balance of principal and accrued interest owing was $210,299 (December 31, 2019 - $208,217).

EXPRESSED IN CANADIAN DOLLARS

## 8. SHAREHOLDERS' DEFICIENCY

### Share capital

*Authorized*

Unlimited number of common voting shares with no par value.

*Issued and outstanding*

As at and during the years ended December 31, 2020 and 2019, the Company had 2,930,058 common voting shares issued and outstanding.

### Stock options

The Company adopted an incentive stock option plan which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the requirements of the Exchange, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to five years from the date of grant. Vesting terms are determined by the Board of Directors at the time of grant.

As at December 31, 2020, the stock option plan is suspended, and while existing options outstanding were unaffected, no new options can be granted until the plan is reinstated.

Changes to the number of stock options during the years ended December 31, 2020 and 2019 are as follows:

| | Exercise Price | Number of Options Outstanding | Number of Options Exercisable |
|---|---|---|---|
| | $ | | |
| Outstanding, December 31, 2019 and 2018 | 2.50 | 66,700 | 66,700 |
| Expired | 2.50 | (66,700) | (66,700) |
| **Outstanding, December 31, 2020** | - | **-** | **-** |

## 9. RELATED PARTY TRANSACTIONS

The Company is party to a corporate and administrative services agreement with Earlston Management Corp. ("Earlston"), whereby Earlston provides key management, corporate, and administrative services to the Company, and has certain directors and officers in common, resulting in the two entities being related. As a result of the Company's financial position, Earlston did not charge the Company for services during the years ended December 31, 2020 or 2019. As at December 31, 2020, $158,667 is included in accounts payable and accrued liabilities (December 31, 2019 - $155,844) for amounts owing to Earlston, which includes sundry expenses paid for by Earlston on the Company's behalf in addition to those for management, corporate and administrative services charged prior to 2019.

Included in accounts payable and accrued liabilities as at December 31, 2020 is $295,000 (December 31, 2019 - $295,000) owing to Bill Radvak, the Chief Executive Officer of the Company for salaries and benefits outstanding for periods prior to 2019, and $5,395 (December 31, 2019 - $5,395) for travel and office expense claims. As a result of the Company's financial position, salaries payable to Mr. Radvak have been suspended and no related expense was incurred during the years ended December 31, 2020 and 2019.

EXPRESSED IN CANADIAN DOLLARS

## 9. RELATED PARTY TRANSACTIONS (continued)

During the year ended December 31, 2020, Brian Bayley, a director of the Company deposited $nil (2019 - $100,000) into a brokerage account held by the Company to facilitate the exercise of warrants and sale of shares in Prophecy (Note 4). No interest was charged on this amount, and no amounts were owed to Mr. Bayley as at December 31, 2020 or 2019.

## 10. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

| | **For the Year Ended December 31, 2020** | For the Year Ended December 31, 2019 |
|---|---|---|
| | **$** | $ |
| (Loss) income before taxes | **(39,248)** | 154,125 |
| Expected income tax (recovery) expense at statutory tax rates | **(11,000)** | 42,000 |
| Permanent differences between IFRS and taxable net income | **-** | 3,000 |
| Changes in unrecognized deductible temporary differences | **11,000** | (45,000) |
| Total income tax expense | **-** | - |

The significant components of the Company's deferred tax assets that have not been included on the balance sheets are as follows:

| | **December 31, 2020** | December 31, 2019 |
|---|---|---|
| | **$** | $ |
| Deferred tax assets: | | |
| Capital losses | **3,499,000** | 3,499,000 |
| Non-capital losses | **3,170,000** | 3,159,000 |
| Total deferred tax assets | **6,669,000** | 6,658,000 |
| Deferred tax assets not recognized | **(6,669,000)** | (6,658,000) |
| Net deferred tax assets | **-** | - |

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the balance sheets are as follows:

| | **December 31, 2020** | **Expiry Date Range** | December 31, 2019 | Expiry Date Range |
|---|---|---|---|---|
| | **$** | | $ | |
| Allowable capital losses | **12,958,000** | **No expiry date** | 12,958,000 | No expiry date |
| Non-capital losses | **11,740,000** | **2026-2040** | 11,700,000 | 2026-2039 |

The Company's effective tax rate during the years ended December 31, 2020 and 2019 as well as the substantively-enacted rate used to determine deferred tax assets as at December 31, 2020 and 2019 is 27%. Tax attributes are subject to review and potential adjustment by tax authorities.

## 11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2020, the Company's financial instruments comprise cash, accounts payable and accrued liabilities, and a shareholder loan. With the exception of cash, all financial instruments held by the Company are measured at amortized cost. The fair values of financial instruments measured at amortized cost approximate their carrying value due to their short-term maturities. Fair values of financial instruments measured at fair value are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

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 or indirectly; and

Level 3 – Inputs that are not based on observable market data.

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

| | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|
| | **$** | **$** | **$** |
| Cash | 3,049 | - | - |

The Company is exposed to certain risks to the carrying values of its financial instruments, including currency risk, credit risk, liquidity risk and interest rate risk.

*Currency risk*

As at December 31, 2020, the Company's accounts payable and accrued liabilities included certain amounts denominated in U.S. dollars, totalling US$109,000. A prolonged 10% increase (decrease) in the value of the Canadian dollar compared with the U.S dollar would result in a $13,000 foreign exchange gain (loss) on U.S. dollar-denominated net financial liabilities as at December 31, 2020.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company has a working capital deficiency as at December 31, 2020 and additional financing is required for the Company to settle its existing obligations and fund future obligations. As such, the Company is exposed to liquidity risk.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and equity prices. As the Company does not currently hold and does not expect to hold interest-bearing financial instruments other than cash or other financial instruments subject to fluctuations in equity prices, it currently does not have and is not expected to have exposure to these market risks.

EXPRESSED IN CANADIAN DOLLARS

## 12. CAPITAL MANAGEMENT

The Company manages its capital, which comprises the components of shareholders' deficiency, and adjusts it based on the funds available to the Company and operational requirements. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company will require additional financing to settle outstanding debt and to maintain operations as a publicly-listed entity. The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to managing capital during the year ended December 31, 2020.

## 13. (LOSS) INCOME PER SHARE

The numerators and denominators of basic and diluted (loss) income per share for the years ended December 31, 2020 and 2019 are as follows:

| | **For the Year Ended December 31, 2020** | For the Year Ended December 31, 2019 |
|---|---|---|
| Net (loss) income - numerator | **($39,248)** | $154,125 |
| Basic and diluted weighted average number of common shares outstanding - denominator | **2,930,058** | 2,930,058 |
| Basic and diluted income per share | **($0.01)** | $0.05 |

The impact of stock options has been excluded from the calculation of diluted income per share for the years ended December 31, 2020 and 2019, as they were either dilutive or out-of-the-money during these years.

## 14. EVENT SUBSEQUENT TO THE REPORTING DATE

On April 19, 2021, the Company received a $25,000 loan from a director of the Company under a promissory note that is payable on demand and which accrues interest at a rate of 1% per annum.